



UNIVERSITY OF TORONTO
FACULTY OF LAW

2014
POST-GRADUATION DEBT RELIEF
PROGRAM
POLICY BOOKLET

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FACULTY OF LAW

POST-GRADUATION DEBT RELIEF PROGRAM

INTRODUCTION

The Faculty of Law at the University of Toronto shall be accessible to the best and brightest graduates irrespective of financial means. The goal of the Financial Aid Program is to ensure that all of the Faculty's graduates will be able to make career choices based on interest rather than debt-induced financial pressures.

The Post-Graduation Debt Relief Program (PDRP) is designed to assist eligible graduates with the repayment of student loans that were incurred while at the University of Toronto Faculty of Law.

The basic components of the Program, in general terms, are as follows:

- Graduates from the Class of 2004 onwards are eligible to apply for assistance from the Program within 10 years of graduation.
- A participant who earns below a specified amount of income will be eligible for assistance from the Program.
- A participant who earns more than a specified amount of income may still be eligible but will be required to contribute a certain percentage of his or her income towards the repayment of educational loans incurred while at the University of Toronto Faculty of Law.
- The assistance provided to the participant through the PDRP is in the form of forgivable loans from the Faculty of Law. These PDRP loans are forgivable over a period of 10 years, provided the participant continues to be eligible for the Program. If a graduate remains in the Program for 10 years, the entire PDRP loan will be forgiven.
- If a participant is no longer qualified to stay in the Program (e.g., earns sufficient income or pays off all eligible loans), the participant will be required to pay back a portion of the PDRP loan. The amount to be repaid is essentially the PDRP loan amount minus the forgiven amount.
- If a participant defaults on an obligation owed to the University or the Faculty, the participant will cease to be eligible to participate under the PDRP and will be required to pay back any outstanding amounts immediately.

APPLICATION PROCEDURES

An application can be downloaded from the Faculty of Law website at www.law.utoronto.ca.

DEADLINE: March 31st (Does not apply to current third year students)

Post-Graduation Debt Relief (PDRP) benefits are available to cover principal and interest payments due over the course of each calendar year. The deadline for submitting an application for PDRP benefits is March 31st of the calendar year for which benefits are requested. PDRP applications are assessed based on a participant's financial situation for a calendar year. An application must be made each calendar year for which benefits are claimed. Late applications should be accompanied by a letter explaining any extenuating circumstances for the lateness. **If the late application is accepted, any PDRP benefits will be *pro rated* based on the lateness of the application. No applications will be accepted after July 31st of the calendar year for which benefits are requested.**

In order to be eligible for PDRP benefits, the Financial Aid Office must receive the completed application and all supporting documents by the deadline. **Decisions on complete PDRP applications will be communicated to participants by letter in May of each year.**

REQUIRED DOCUMENTS

The disbursement of PDRP benefits is contingent on the participant signing a Loan Agreement and returning it to the Financial Aid Office within the required timeline. Since original signatures are required, participants must mail the original application and Loan Agreement to the Financial Aid Office; no faxed or emailed applications will be accepted.

Below is a list of required documents:

Document	Applicant	Spouse/Partner
Copy of Income Tax Assessment for 2012	X	X
Copy of Employment T-4 form/s for 2013	X	X
Proof of employment and confirmation of annual salary (i.e. letter from employer or contract agreement)	X	X
Consolidated Student Loan and Repayment form agreement(s) for all pre-law and law school loans showing current loan balance, payment terms, interest rate and monthly payment amount – <i>must be included for first-time participants.</i>	X	X
Repayment Assistance program documentation (if any)	X	X
Itemized annual loan statement(s) for all pre-law and law school loans showing the current loan balance, monthly payment amount and proof of payment.	X	X
Proof of payment of PDRP benefit towards government and Scotiabank loans.	X	
Child care documentation (i.e. a bill or a signed letter from the child care provider with child's name on it)	X	
2013 union and professional dues proof of payment	X	X

Bar admission expenses proof of payment (for newly-admitted lawyers only if not covered/reimbursed by employer)	X	X (if spouse is also a lawyer)
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Other documentation may be required at the discretion of the Financial Aid Office.

ALLOCATION OF PDRP FUNDS

The Financial Aid Office will allocate the PDRP funds amongst eligible participants for each application year. Eligible participants will receive PDRP benefits, prorated based on the number of participants receiving assistance and funds available for disbursement in any given year.

PAYMENT SCHEDULE

PDRP benefits are distributed twice a year. The first payment will be for the first six-month period (January to June). The second payment will be for the remaining six-month period (July to December). In order to be eligible to receive the second payment, the Financial Aid Office must be provided with updated employment information for both participant and spouse/partner **no later than October 31, 2014**. Delay in submitting supplementary information will result in participants forfeiting their benefits; participants will also be asked to pay back the first payment of PDRP benefit that they received, as well as any unforgiven PDRP benefits/loans they received in previous years.

The first payment will be provided directly to participants once the Faculty has received their signed loan agreement form. **Participants are required to use their entire PDRP benefit to pay their government student and interest-free loans for the current calendar year for which the benefit has been awarded. Proof of loan repayments will be required.**

TAX IMPLICATIONS OF PDRP ASSISTANCE

PDRP benefits in the form of forgivable loans are not taxable. However, the portion of the PDRP benefits which is forgiven at the end of the year, provided that the participant met the eligibility requirements of the Program, is taxable. The forgiven amount is reported to the Revenue Canada Agency and the participant will be provided with a T-4A slip for the tax year in which it was received.

T-4A slips are generated through ROSI and mailed to the participant's mailing address as listed on ROSI. **It is important for participants to update their mailing addresses on ROSI so that their T-4A slips are sent to their correct mailing addresses.** T-4A slips may show amounts higher than the BDRP benefit received for the year – this is because the forgiven amount goes up as participants stay longer in the program.

PARTICIPANT'S INFORMATION

Participants are responsible for promptly notifying the Financial Aid Office of any changes in their income, marital status, deferment of loan repayment or other relevant information that may impact the participant's eligibility, in writing, within 30 days. This includes keeping the Financial Aid Office updated with their mailing and email address.

It is participants' responsibility to update their mailing addresses on ROSI; see Tax Implications of PDRP Assistance section above.

REQUEST FOR RECONSIDERATION

A participant may request that his or her application for PDRP benefits be reconsidered by the Financial Aid Committee within four weeks of the date of the PDRP notification letter. If such reconsideration is requested, please send a letter outlining the relief sought to the Financial Aid Committee c/o the Financial Aid Office, University of Toronto, Faculty of Law, 84 Queen's Park, Toronto, ON M5S 2C5 along with any supporting documentation.

REPAYMENT OF PDRP LOANS

PDRP loans provided to participants are not repayable so long as they continue to be eligible. Participants who cease to be eligible because they start earning sufficient income or have repaid all eligible loans will be required to start paying back the remaining balance of their PDRP loan immediately. **The maximum repayment term is a participant's remaining eligibility period in the PDRP.** The loan is non-interest bearing and the minimum monthly payment cannot be less than \$100.

REPAYMENT OF PDRP OVERPAYMENTS

Returning participants will be asked to provide their (and their spouse/partner, if applicable) previous year's income tax notice of assessment. The total income (line 150 on Canadian income tax notices of assessment) on this assessment will be compared with the participant's estimated income on the previous year's PDRP application. If the participant's total income is greater than the estimated income, the participant's previous year PDRP benefits will be re-calculated. If the recalculated PDRP benefit is lower than the actual PDRP benefit disbursed, the participant will be asked to repay the overpayment. If the recalculated PDRP benefit is higher than the actual PDRP benefit disbursed, the participant will receive the additional benefit.

Participants' (and their spouse/partner, if applicable) midyear employment salary information will also be used to confirm if they are still eligible for their original PDRP benefit calculation. If their salaries have changed, their PDRP benefits will be re-calculated accordingly. Participants who are eligible for increased PDRP benefits will receive bigger second payments. Participants who are eligible for lower PDRP benefits will receive smaller second payments. Participants who are no longer eligible for PDRP benefits as a result of increased employment salaries will be asked to repay their first payment, as well as any unforgiven PDRP benefits/loans from previous years.

INDIVIDUAL FACTORS

In administering the PDRP, individual factors and special needs may be considered. Situations created by special circumstances will be treated on a case-by-case basis.

FINANCIAL AID OFFICE CONTACT INFORMATION

For any enquiries or for further information, please contact:

Aladdin Mohaghegh, Senior Financial Aid Officer
Phone: 416-978-5842
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ELIGIBILITY

The PDRP was established in 1999 and is open to all University of Toronto, Faculty of Law LL.B. or J.D. graduates from the Class of 2004 onwards. Such graduates may join the Program at any time within ten years of graduation as long as they qualify for benefits.

EMPLOYMENT

Participants must be working full-time. Participants who are not working full-time must provide satisfactory documentation to demonstrate that they are actively seeking full-time work or are otherwise able to satisfy the Committee of extenuating circumstances.

Any graduates with health or disability- related issues; who stay at home to care for legal dependants requiring full-time care (e.g., pre-school age children, elderly parents); or who return to school as full-time students to pursue graduate studies will be eligible to participate in the Program. Graduates who fall under any of these categories are required to submit supporting documentation.

INCOME

For the purpose of determining a participant's PDRP eligibility, annual gross income will be calculated as follows:

Line 150 of Canadian Income Tax Return (Gross income)
Add Line 127 (non-taxable capital gains)
Deduct Line 212 (Union and Professional Dues)
Deduct Line 214 (Child Care Expenses)*

Participants are required to report the total cumulative value of gifts, inheritances, or other windfalls received by their household which, taken together, total over \$10,000 in value in a calendar year. The cumulative amount of these gifts, inheritances, or other windfalls over \$10,000 will be added to the participant's or spouse's income for the year.

*Child Care Expenses: The PDRP recognizes child care expenses in accordance with the CCRA rules. This means that eligible child care expenses will be deducted from the participant's or the participant's spouse's or partner's income, whoever has the lower income in the household. Payments do not qualify as child care expenses if they are made to the parent or supporting person of the child.

CREDIT RATING

Participants must have an acceptable credit rating as determined by a recognized credit bureau at the time of their application to the PDRP. Continual eligibility is contingent upon participants maintaining an acceptable credit rating.

All participants in the PDRP must be current on their loan repayments and have no outstanding balance with the University of Toronto or the Faculty. Default and delinquency will disqualify a participant and will terminate any further eligibility for PDRP assistance.

ELIGIBLE LOANS

The following types of loans are eligible to be covered by the PDRP:

- Federal and provincial student loans taken while at the University of Toronto, Faculty of Law,
- Federal and provincial student loans taken during the licensing process for Admission to the Bar,
- Faculty of Law Interest-Free loans as determined by the Faculty's Financial Aid Program, and actually borrowed from Scotiabank or another financial institution.

J.D. graduates who return to full-time post-secondary studies will have their government student loans revert back to interest-free status, and are also not required to make re-payments. As a result, these government student loans will not be considered as eligible loans for PDRP purposes while the graduate is in full-time post-secondary study.

Graduates who only have pre-law educational debt (for example, OSAP loans taken out during undergraduate years) and/or non-eligible law-related debt (for example, amounts taken from Scotiabank line-of-credit that are not included or part of the Faculty of Law Interest-free Loan) do not qualify to participate in the PDRP.

TIMELINE

A graduate may apply to the PDRP anytime within 10 years after graduation. For graduates who do not enter the Program immediately after graduation, the eligibility period will be ten years less the number of years since graduation from the Faculty.

TERMINATION OF BENEFITS AND DISQUALIFICATION FROM THE PROGRAM

Failure to meet any requirement of the Program or misrepresentation of any information provided to the law school will result in termination of any eligibility under the Program. Outstanding amounts must be paid back immediately upon termination or disqualification.

UNDERSTANDING LOAN REPAYMENT

This section provides a basic framework for understanding how loan repayment works.

All lenders will expect borrowers to begin repaying their loans within a certain time after graduation. The terms and conditions for each loan are different, even for educational loans. PDRP participants or potential applicants are advised to either review the documentation they signed when they assumed their loans or speak to their lender(s).

Each loan has an interest rate attached to it. For example, Canada Student Loans have an interest rate of prime plus 2.5%. This means the cost of borrowing will fluctuate with the Bank of Canada's prime rate.

All lenders impose an amortization period, which is a limited time within which borrowers must pay back their loans. Some lenders may use a longer amortization period; for such cases, a borrower's monthly payment will be lower but there will be more interest paid overall.

Typically, lenders will tell borrowers the monthly minimum payment that they are required to pay. Borrowers who have taken out several loans will need to add up each monthly minimum payment required to determine their total monthly minimum payments to cover all loans.

The table below provides an estimate of monthly payments that borrowers will be required to make, based on a 10-year term and two different interest rates.

ESTIMATED MONTHLY PAYMENTS BASED ON A 10-YEAR REPAYMENT PERIOD

Total Loan Amount	@7% interest			@ 8% interest		
	Monthly Payment	Annual Payment	Total Interest	Monthly Payment	Annual Payment	Total Interest
\$10,000	\$116.11	\$1,393.32	\$3,933	\$121.33	\$1,455.96	\$4,559
\$15,000	\$174.16	\$2,089.92	\$5,900	\$181.99	\$2,183.88	\$6,839
\$20,000	\$232.22	\$2,786.64	\$7,866	\$242.66	\$2,911.92	\$9,119
\$25,000	\$290.27	\$3,483.24	\$9,833	\$303.32	\$3,639.84	\$11,398
\$30,000	\$348.33	\$4,179.96	\$11,799	\$363.98	\$4,367.76	\$13,678
\$40,000	\$464.43	\$5,573.16	\$15,732	\$485.31	\$5,823.72	\$18,237
\$50,000	\$580.54	\$6,966.48	\$19,665	\$606.64	\$7,279.68	\$22,797
\$60,000	\$696.65	\$8,359.80	\$23,598	\$727.97	\$8,735.64	\$27,346
\$70,000	\$812.76	\$9,753.12	\$27,531	\$849.29	\$10,191.48	\$31,915
\$80,000	\$928.87	\$11,146.44	\$31,464	\$970.62	\$11,647.44	\$36,474
\$90,000	\$1,044.98	\$12,539.76	\$35,397	\$1,091.95	\$13,103.40	\$41,034
\$100,000	\$1,161.08	\$13,932.96	\$39,330	\$1,213.28	\$14,559.36	\$45,593

A borrower with a \$10,000 loan at 7% interest will have a monthly payment (which includes principal and interest) of \$116.11. Over one year, this borrower would have paid \$1,393.32 (\$116.11 x 12 months). After 10 years of paying \$116.11 per month, this borrower will have paid in total \$13,933. So, to pay

back a \$10,000 loan at a 7% interest rate, this borrower would have paid \$3,933 over the course of 10 years in interest in addition to repaying the original loan amount of \$10,000.

CALCULATING ANNUAL PDRP BENEFITS

The following basic steps are taken in calculating a participant's PDRP benefit:

1. Determining Basic Income Level

Basic Income Level (BIL)

The Basic Income Level has been set at \$56,327 per year. This amount is to be adjusted annually for inflation based on the CPI (Consumer Price Index).

Allowable Adjustments

If a participant has eligible pre-law educational debt (such as government student loans taken during undergraduate years) or eligible dependants, an exemption amount per year may be added to his/her BIL. In addition, if a participant has bar admission expenses that were not reimbursed or covered by an employer, such expenses may also be added to his/her BIL.

Specifically:

- Annual loan payments (principal and interest) relating to eligible **pre-law educational debt** will be added to the participant's BIL. The lesser of the actual annual repayment obligation for the eligible loan or a maximum of \$4,000 per year may be claimed. Full documentation as to these loans must be provided.
- An allowance of \$5,000 will also be added to the participant's BIL for each eligible dependant (a parent or a child under the age of 18) supported.
- Bar admission expenses that were not reimbursed or covered by an employer will also be added to the participant's BIL.

Supporting documentation may be requested at the discretion of the Financial Aid Office.

For the purpose of this Program, a 'spouse' is a person of the same or opposite sex to whom the participant is married, or with whom the participant has cohabited in a conjugal relationship for a period of three or more years, or who is reported to the government by the participant as a common-law partner.

In the event the participant's salary changes during the year, an annualized salary will be calculated based on the salary amount and its duration during the year, in order to determine the total earnings for that year.

2. Determining Annual Loan Repayment Obligation

The Financial Aid Office will determine annual loan repayment obligations based on the information provided in the PDRP application, as follows:

- For government student loans, the monthly re-payment is listed on the consolidated student loan

and repayment form agreement. If government student loans include pre-law loans, the Financial Aid Office will calculate the monthly re-payment for the law-related loans.

- For interest-free loans, the monthly re-payment is calculated based on the total interest-free loan amount the participant actually borrowed during his or her J.D. program, the annual interest rate and a 10-year amortization. For first-time participants right after graduation, PDRP benefits will be calculated based on the assumption that the interest-free law loan entered **interest only repayment** immediately following graduation. The interest only repayment will continue during the articling period and 12 months after the articling period is finished. The government loans will enter principal and interest repayment six months immediately following graduation. This means that first-time participants will receive 18 months of payments (only interest) to cover their interest-free loan and the actual number of monthly payments to cover the government loans for the first year in the Program immediately following graduation.

Participants who receive Repayment Assistance from the government for a set period, their PDRP benefit will be assessed based on their government assistance at that time. Students are responsible to inform the Faculty when their repayment Assistance period ends so that their benefits can be reassessed and maximized.

For participants who are paying more than the minimum monthly payments in order to pay down their debts faster, PDRP benefits will still be calculated on a 10-year plan.

Participants are required to use the amount received from the Program to pay their loans, and will be asked to provide proof of payment of their loans for the current academic year for which the benefit was awarded. Please note that the PRDP will not cover loan payments beyond 10 years after graduation.

3. Determining Expected Annual Contribution

If a participant's income does not exceed the Basic Income Level (BIL) or adjusted Basic Income Level (ABIL), the Faculty will contribute the entire annual repayment obligation (subject to any pro-rating of PDRP funds among PDRP participants). If the participant's income exceeds the BIL or ABIL, then the participant will be expected to contribute 30% of the excess income per annum to reduce his or her loan obligations.

The table below provides an estimated contribution amount based on various income levels. Please note that the example below is based on the 2013 Basic Income Level of \$56,327.

Participant #1 is single, does not have eligible pre-law educational debt and has a Basic Income Level of \$56,327.

Participant #2 is single, has eligible pre-law educational debt which has an annual repayment of \$4,550, therefore has an adjusted Basic Income Level of \$60,327 (\$56,327+ \$4,000).

Participant #3 is single, has eligible pre-law educational debt which has an annual repayment of \$4,750 and one dependant, therefore has an adjusted Basic Income Level of \$65,327 (\$56,327+ \$4,000 + \$5,000).

EXPECTED CONTRIBUTION TABLE

Total Family Annual Income Level	Annual Expected Contribution for Participant #1 BIL: \$56,139	Annual Expected Contribution for Participant #2 ABIL: \$60,139	Annual Expected Contribution for Participant #3 ABIL: \$65,139
0 - \$56,139	\$0.00	\$0.00	\$0.00
\$60,000	\$1,101.90	\$0.00	\$0.00
\$65,000	\$2,601.90	\$1,401.90	\$0.00
\$70,000	\$4,101.90	\$2,901.90	\$1,401.90
\$75,000	\$5,601.90	\$4,401.90	\$2,901.90
\$80,000	\$7,101.90	\$5,901.90	\$4,401.90
\$85,000	\$8,601.90	\$7,401.90	\$5,901.90
\$90,000	\$10,101.90	\$8,901.90	\$7,401.90

For a participant with a spouse/partner

For a participant who has a spouse/partner, the participant's income will be treated as being the greater of:

- Participant's income, or
- Half of the combined income of the participant and his or her spouse.

The spouse's eligible annual educational loan payments, if any, will be deducted from his/her annual income.

In cases in which the participant and his/her spouse are both graduates of the Faculty of Law who are both eligible for the PDRP:

- the income for each will be calculated as half of the couple's combined income, and
- no annual educational loan payments will be deducted from either spouse's income (as each spouse is subject to assistance under the PDRP).

Since participants are estimating their income for the year that they are applying for PDRP benefits, the following year they will be asked to provide their previous year's income tax notices of assessment. If their total incomes as shown on the income tax notices of assessment are different from what they estimated in their previous year's PDRP application, their benefit will be recalculated based on this new information. Any overpayment has to be repaid immediately. See section on Repayment of PDRP Overpayments on page 8.

4. PDRP Forgiveness Schedule

Under the PDRP, participants are provided with forgivable loans which are to be used to assist them in making the annual loan repayments for eligible loans. The PDRP forgivable loans take both annual principal and interest repayment obligations into account. Loans provided under the PDRP are forgiven based on the following schedule:

Years of participation in the PDRP	Percentage of PDRP loan to be forgiven at the end of the year	Percentage of PDRP loan to be repaid upon exiting the Program
1	10%	90%
2	20%	80%
3	30%	70%
4	40%	60%
5	50%	50%
6	60%	40%
7	70%	30%
8	80%	20%
9	90%	10%
10	100%	0

If the participant continues to be eligible, the amount that is not forgiven for the year will be carried forward to the following year. This carry-forward amount will be added to the participant's new PDRP benefit for that following year – the amount that will be forgiven for that year will be determined or based from this aggregated amount. (See page 21 for an example of how the forgiveness schedule works).

A participant can enter the program any time within 10 years of his/her graduation; however, his/her forgiveness will be calculated based on years of his/her participation in the program.

The forgiveness schedule of the PDRP is designed to provide the most forgiveness to those participants who remain in lower-paying career streams for the longest period of time. At the end of 10 years in the PDRP, the entire PDRP loan will be forgiven by the Faculty.

SAMPLE CALCULATIONS OF PDRP BENEFITS

The following examples provide various possibilities under the PDRP.

All PDRP benefits calculated pursuant to the rules set out in this booklet are subject to being reduced proportionately based on the number of participants receiving assistance and funds available in any given year.

Example 1:

Single participant and first year in PDRP

- Class of 2013
- Total annual income \$38,000 after graduation
- Total eligible government law school debt \$25,000 or monthly principal and interest payment of \$300 at 7%. Government loans entered repayment on November 2013
- Total eligible Faculty of Law interest-free loan \$20,000 or monthly principal and interest payment of \$232 at 7%
- Annual eligible law loan obligation first year immediately after graduation (\$8,376 = \$4,200+\$4,176):
 - Government loans (14 months x \$300 = \$4,200)
 - Scotiabank interest-free loan (18 months x \$232 = \$4,176)
- No eligible pre-law educational debt
- 2014 Basic Income Level = \$56,327

This participant's basic income is not adjusted because he or she has no dependants and no eligible pre-law educational debt.

Participant's Income minus participant's Basic Income Level	$\$38,000 - \$56,327 = \$0$
Participant's expected contribution (30% of Excess Income)	$\$0 \times 30\% = \0
Faculty's contribution/PDRP benefit (Annual eligible loan obligations minus participant's expected contribution)	$\$8,376 - 0 = \$8,376$

The Faculty will provide this participant with a forgivable loan in the amount of \$8,376. This amount should be used by the participant to pay his or her monthly payment obligations on eligible law educational loans for the 2014 calendar year. At the end of the first year, 10% of the \$8,376 PDRP loan (\$837.60) will be forgiven. If after the first year this participant is no longer eligible to participate in the PDRP, s/he will be required to start re-paying the remaining \$7,538.40 (\$8,376-\$837.60) loan.

Example 2:

Single participant with eligible pre-law educational debt and first year in PDRP

- Class of 2013
- Total annual income \$60,000 after graduation
- Total eligible government law school debt \$25,000 or monthly principal and interest payment of \$300 at 7%. Government loans entered repayment on November 2013.
- Total eligible Faculty of Law interest-free loan \$20,000 or monthly principal and interest payment of \$232 at 7%.
- Annual eligible law loan obligation first year immediately after graduation (\$8,376= \$4,200+\$4,176):
 - Government loans (14 months x \$300) = \$4,200
 - Faculty of Law interest-free loan (18 months x \$232) = \$4,176
- Total eligible pre-law educational debt of \$20,000 with an annual loan payment of \$3,248 at 7%.
- 2014 Basic Income Level = \$56,327
- Participant's adjusted Basic Income Level = \$59,575 (\$56,327- \$3,248)

This participant's basic income is adjusted because he or she has pre-law educational debt.

Excess Income (Participant's Income minus participant's adjusted Basic Income Level)	\$60,000 - \$59,575 = \$1,425
Participant's expected contribution (30% of Excess Income)	\$425 * 30% = \$127.50
Faculty's contribution/PDRP benefit (Annual eligible loan obligations minus Participant's expected contribution)	\$8,376 - \$127.50= \$8,248.50

The Faculty will provide this participant with a forgivable loan in the amount of \$8,248.50. This amount should be used by the participant to pay his or her monthly payment obligations on eligible law educational loans for the 2014 calendar year. At the end of the first year, 10% of the \$8,248.50 PDRP loan (\$824.48) will be forgiven. If after the first year this participant is no longer eligible to participate in the PDRP, s/he will be required to start repaying the remaining \$7,724.02 (8,248.50- 824.48) loan.

Example 3:

Married participant and first year in PDRP

- Class of 2013
- Participant's total annual income = \$65,000
- Spouse's total annual income = \$30,000
- Total family annual income after graduation the greater of:
 - Participant's income \$65,000 or
 - $\frac{1}{2}$ of combined income = \$47,500 $(\$65,000 + \$30,000) / 2$
- Total eligible government law school debt \$25,000 or monthly principal and interest payment of \$300 at 7%. Government loans entered repayment on November 2013.
- Total eligible Faculty of Law interest-free loan \$20,000 or monthly principal and interest payment of \$232 at 7%
- Annual eligible law loan obligation first year immediately after graduation $(\$8,376 = \$4,200 + \$4,176)$:
 - Government loans $(14 \text{ months} \times \$300) = \$4,200$
 - Interest-free loan $(18 \text{ months} \times \$232) = \$4,176$
- No eligible pre-law educational debt
- 2014 Basic Income Level = \$56,327
- Participant's adjusted Basic Income Level = \$56,327

This participant's basic income is not adjusted because he or she has no dependants and no pre-law educational debt.

Excess Income (Participant's Income minus participant's adjusted Basic Income Level)	$\$65,000 - \$56,327 = \$8,673$
Participant's expected contribution (30% of Excess Income)	$\$8,673 \times 30\% = \$2,601.90$
Faculty's contribution/PDRP benefit (Annual eligible loan obligations minus Participant's expected contribution)	$\$8,376 - \$2,601.90 = \$5,774.10$

The Faculty will provide this participant with a forgivable loan in the amount of \$5,774.10. This amount should be used by the participant to pay his or hers monthly payment obligations on eligible law educational loans for the 2014 calendar year. At the end of the first year, 10% of the \$5,774.10 PDRP loan (\$577.41) will be forgiven. If after the first year this participant is no longer eligible to participate in the PDRP, s/he will be required to start re-paying the remaining \$5,196.99 ($5,774.10 - 577.41$) loan.

Example 4:

Married participant with a child, eligible pre-law educational debt over the course of four years in the PDRP

- Class of 2010
- Total annual income of \$42,000 per year for three years immediately following graduation
- Participant's income of \$85,000 in 4th year
- Spouse's income of \$30,000 per year for 4 years and spouse has no student loans
- Participant has one dependant under 18
- Total eligible government law school debt \$30,000 or monthly principal and interest payment of \$350 at 7%. Government loans entered repayment on November 2010
- Total eligible Faculty of Law interest-free loan \$20,000 or monthly principal and interest payment of \$232 at 7%
- Total eligible pre-law educational debt of \$30,000 with monthly principal and interest payment of \$350
 - Eligible annual pre-law educational loan repayment = \$4,200 (\$350 x 12 months). Only \$4,000 of this annual obligation will be added to the basic income level, per the pre-law educational loan policy explained on page 13.

This participant's basic income is adjusted because she has one dependant and eligible pre-law educational debt.

Year	Annual loan obligation	Participant's income above adjusted Basic Income Level	Participant's expected contribution	Faculty Contribution to Participant's annual loan obligation	Annual PDRP forgiven amount	Outstanding PDRP loan
1 (2011)	\$9,076*	\$0	\$0	\$9,076	\$907.60	\$8,168.40
2 (2012)	\$6,984**	\$0	\$0	\$6,984	\$3,030.48 ⁺	\$12,121.92
3 (2013)	\$6,984**	\$0	\$0	\$6,984	\$5,731.78	\$13,374.14
4 (2014)	\$6,984**	\$24,673***	\$7,401.90	\$0****	\$0	\$13,374.14
Total	\$30,028	n/a	n/a	\$23,044	\$9,669.86	n/a

*Combination of annual loan obligation for both government student loans (\$350 x 14 months = \$4,900) and interest-free loans (\$232 x 18 months = \$4,176) for first year as BDRP participant.

** Combination of annual loan obligation for both government student loans (\$350 x 12 months = \$4,200) and interest-free loans (\$232 x 12 months = \$2,784) for second and subsequent years as PDRP participant.

*** In the fourth year, this participant's income of \$85,000 is \$24,673 more than the adjusted basic income level of \$60,327 (basic income level of \$56,327+ annual pre-law education loan repayment maximum of \$4,000).

**** Participant is not eligible for PDRP benefits in her fourth year in the program as her expected contribution is higher than her annual loan obligation (\$6,984 - \$7,401.90 = - \$417.90). She is now responsible for her total loan repayment of \$6,984. In addition, the participant will be expected to start repaying the remainder of \$13,374.14 PDRP loan. She will have benefited by receiving \$9,669.86 from the Faculty which will have been forgiven and will not have to be paid back.

⁺ Explanation of forgiveness amount: The participant was eligible for \$9,076 in PDRP benefit in her first year in the program. At the end of the first year, \$907.6 (10% of \$9,076) will be forgiven, while the remaining \$8,168.40 (90% of \$9,076) will be carried forward to Year 2. In Year 2, she is eligible for a \$6,984 PDRP benefit. The \$8,168.40 carry-forward amount will be added to her \$6,984 (for a total of \$15,152.40); her forgiven amount for Year 2 will be determined from this aggregate. \$3,030.48 (20% of \$15,152.40) will be her forgiven amount for Year 2. The remaining \$12,121.92 (80% of \$15,152.40) will be carried forward to Year 3. In Year 3, she is eligible for yet another \$6,984 PDRP benefit. The \$12,121.92 carry-forward amount will be added to her \$6,984 (for a total of \$19,105.92); her forgiveness amount for year 3 will be determined from this aggregate. \$5,731.78 (30% of \$19,105.92) will be forgiven amount for year 3. The remaining \$13,374.14 (70% of \$19,105.92) will be carried forward to year 4. Since the participant is not eligible for any PDRP benefit for year 4, as a result of high salary, he/she will be required to start paying back the remaining \$13,374.14 balance of his/her PDRP loan.