

Hawaii John R. Justice Student Loan Repayment Program
Frequently Asked Questions
October 2015

The questions and answers below are excerpted from *Bureau of Justice Assistance (BJA) John R. Justice (JRJ) Grant Program FY 2015 State Solicitation Frequently Asked Questions (FAQs)* published by the U.S. Department of Justice. For more information, please visit <https://www.bja.gov/Funding/FY15JRJFAQs.pdf>

1. What is considered full-time employment for the purpose of this solicitation?

Full-time employment is considered “not less than 75 percent of a 40 hour work week” for the purpose of this solicitation.

2. Does a person have to be employed full-time at the time of selection to be eligible?

Not necessarily, but an applicant must be a “full-time employee” of a State or unit of local government (in the case of “prosecutors”) or a “full-time employee” of a State, unit of local government, qualifying non-profit organization (under 42 U.S.C. §3797cc-21(b)(2)(B)(ii)) or qualifying full-time Federal defender (under 42 U.S.C. § 3797cc-21(b)(2)(B)(iii)) prior to actual receipt of benefits.

3. Are attorneys who handle criminal or juvenile delinquency case work eligible for this program?

Yes, provided they otherwise meet the definition of a full-time “prosecutor” or “public defender” under the statute (and the solicitation and guidelines).

4. Are attorneys who handle an exclusively civil caseload, such as civil forfeiture or dependency cases, eligible for this program?

No.

5. Are loans that were purchased or sold by the original holder eligible for payment?

Loans purchased or sold by the original holder are eligible for payment, assuming the other conditions of the statute (and the solicitation and guidelines) are met. The requester must submit proof that the original loan qualified under the JRJ statute.

6. May the designated state agencies issue co-payment of the loan repayment award jointly to the beneficiary and the lender?

No. The statute clearly provides only for “direct payments on behalf of a borrower to the holder of [the qualifying] loan.” SAAs should issue their checks only by direct payment to the lenders, in accordance with the statute.

7. Are there tax consequences associated with receipt of JRJ benefits?

The Bureau of Justice Assistance does not provide legal advice on possible tax obligations resulting from receipt of JRJ benefits. The following is provided for informational purposes only. Beneficiaries of JRJ Student Loan Repayment Program benefits remain personally responsible for, and should consult with their tax advisors for advice on, any tax obligations resulting from benefits paid on their behalf.

As a courtesy to JRJ beneficiaries and state administering agencies, BJA has requested information from the Internal Revenue Service (IRS) that may be helpful to beneficiaries and JRJ SAAs in determining tax consequences of JRJ benefits. The IRS has provided a response to that request and a copy of both the inquiry and response has been made available on our Website at:

https://www.bja.gov/ProgramDetails.aspx?Program_ID=65

8. Is a person eligible if their loan is “past due,” but still reported as in a payment status? Is a person eligible if their loan is in a “deferment” or “forbearance” status?

The JRJ statute authorizes a program by which direct payments are to the holder of a qualifying loan on behalf of an eligible beneficiary (borrower) who is not in default on a loan for which the person seeks forgiveness. The term “default” is understood to have the same definition as it does under the applicable provisions of the beneficiary’s loan agreement with his/her lender. Therefore, in reviewing applications, State Administering Agencies (SAAs) should confirm that the lender does not consider the applicant to be in a “default” status. Any individual who is considered by their lender to be in “default” status at the application stage should not be selected for JRJ benefits.

During the course of the service agreement, SAAs should require periodic certifications by the beneficiary (borrower) and/or lender to ensure that the beneficiary (borrower) is not, and has not been, in a “default” status and therefore has maintained his/her eligibility for JRJ benefits. The terms of the qualifying loan will control: if “past due,” “deferment,” “forbearance” or another similar status is not the equivalent of a “default” under the terms of the qualifying loan, then neither will it disqualify the person from eligibility under the JRJ statute. Beneficiaries are required, under the terms of the service obligation agreement, to notify their SAA of a “default” status. Failure to do so will be considered a breach of the service obligation agreement. SAAs should notify their BJA grant managers upon notice of a beneficiary in “default” status.

9. When does the service obligation begin?

Ordinarily, the effective date of the beneficiary’s obligation to remain employed for 3 years as a qualifying “prosecutor” or “public defender” begins on the date that the beneficiary first enters into duty (as such qualifying “prosecutor” or “public defender”) after executing the service obligation agreement. The effective date of any service agreement subsequently entered into by the beneficiary (pursuant to 42 U.S.C. §3797cc-21(e) (“Additional agreements”)) will be the day following the expiration of the prior

service obligation. Beneficiaries may not credit any service as a public defender or prosecutor prior to execution of the agreement toward the service obligation.

10. I've signed multiple service agreements under my original 3 year service agreement. Do these service agreements add compounded service time?

Through the first 3 years of the program, JRJ beneficiaries have been subject only to one JRJSLRP Service Agreement, executed at the time that the JRJ beneficiary first entered into the JRJ program. BJA is aware that, in certain cases, some JRJ beneficiaries have been asked to, and have subsequently signed, additional JRJSLRP Service Agreements even though the date of said execution occurred within the original 3-year term of the JRJ beneficiary's obligation of service. Such subsequent "agreements" should not be understood to extend the original term of the service obligation, but rather serve as a reaffirmation and acknowledgement of the original signed agreement and its terms and conditions. State JRJ administering agencies are now required to use Appendix D to the John R. Justice program application guidance ("John R. Justice Student Loan Repayment Program (JRJSLRP) Service Agreement Acknowledgment of Benefit" form) as evidence of such reaffirmation and acknowledgment.

11. Is a beneficiary obligated to enter into a new service agreement of 3 years in addition to, and upon completion of, the initial 3-year service commitment if that person is selected again by the JRJ SAA?

Pursuant to the statute (42 USC 3797cc-21(e)(2)), the period of any new term of service obligation would have to be determined on a case-by-case basis. Beginning in fiscal year 2013, any JRJ beneficiary who enters into a JRJSLRP Service Agreement – Secondary Term of Service (Appendix C to the JRJSLRP program application guidance) (i.e., an additional year or years of service after the original 3-year term has been satisfied), will agree to extend the beneficiary's term of service obligation by the period of time expressed therein, in exchange for the receipt of additional JRJ benefits.

12. Does the service agreement permit the Department of Justice to collect more than the principal amount of the award if the terms of the service agreement are not satisfied?

In the event of a breach of the service obligation agreement, a principal sum equal to the amount that the beneficiary is required to repay to the Department of Justice "shall be recoverable by the Federal Government" from the beneficiary (or the beneficiary's estate, if applicable) by such methods as provided by law for the recovery of amounts owed to the Federal Government. The foregoing should not be understood to preclude the Federal Government from recovering any interest that may be owed in the collection of a debt.

13. How should a JRJ Recipient in repayment status repay the financial obligation they've incurred under the terms of their signed JRJ Student Loan Repayment Program (SLRP) Service Agreement?

Consistent with the terms of the JRJ SLRP Service Agreement, JRJ recipients are required to inform their JRJ state administering agency of their separation from a qualified position of employment and the status of their repayment. A payment in the total amount of the JRJ Student Loan Repayment benefits that have been made on behalf of the JRJ recipient must then be sent to the Office of Justice Programs (OJP) Office of the Chief Financial Officer (OCFO) with a notation of the applicable Grant Number(s) from which the funds were derived, at the following address:

U.S. Department of Justice, Office of Justice Programs
Office of the Chief Financial Officer (Attn: Accounting Control Branch)
810 Seventh Street, N.W.
Washington, DC 20531

A note should be stapled to the check with the award number(s) and amount(s) awarded from each award for which the JRJ Beneficiary did not meet their term obligations.

14. What if a JRJ beneficiary in repayment status is unable to repay the full sum of their received JRJ benefits within a certain timeframe?

Once a JRJ recipient has been determined to be in a “repayment status,” such information will be communicated to BJA by the SAA. The Office of Justice Programs’ Office of the Chief Financial Officer (OJP OCFO) may demand repayment within 45 days from their first having received notice of a recipient having entered “repayment status.” If the debtor is non-compliant in repaying the debt, the OJP OCFO will refer the matter to the U.S. Treasury Department (with notice to the debtor) and interest and collection fees will be assessed in addition to the principal amount owed.

15. Can a JRJ recipient in “repayment status” arrange for a payment plan?

OJP does not provide the option of payment plans for funds owed to the federal government, though debtors may be able to arrange for a repayment plan through the Treasury Department

16. How long does a JRJ recipient in “repayment status” have before their outstanding debt is referred to the U.S. Treasury Department for collection?

The debtor has 45 days from the date s/he receives initial notice of a debt owed to the federal government to repay all outstanding sums. In the event such period expires without the total sum of JRJ benefits being repaid by the debtor, OJP’s OCFO will refer the remaining debt to Treasury. Under standard practice, uncollected debt is turned over to Treasury within 60 days after the first notice is sent from OJP.

17. Can a beneficiary hold some of the grant award to pay any tax liability rather than

have all of these funds apply to repayment of a qualifying loan?

No. As an initial matter, the JRJ loan repayment benefits may not be paid directly to a beneficiary. Per 42 U.S.C. §3797cc-21(c), payments are to be made directly to the holder of the loan (*i.e.*, the lending institution) for the benefit of the borrower. Furthermore, the statute specifically authorizes repayment of loan obligations, not tax obligations of a beneficiary.

The beneficiary remains liable for their loan debt and for any late fees assessed by their lender. The JRJ program is intended as a supplement to, not a substitute for, each beneficiary's individual loan payments.

18. Will JRJ funds be available in FY2016?

A FY 2016 general appropriation for activities of the Department of Justice has not been passed by Congress or approved by the President. Information about future funding will be posted when available.

19. *UPDATE* How will the JRJ grant program affect funding through the Public Service Student Loan Forgiveness program?

While the publicity of the availability of other federal student loan repayment plans (e.g., the Income-Based Repayment (IBR), Public Service Loan Forgiveness (PSLF), and other available Loan Repayment Assistance Programs (LRAPs)) is obviously encouraged, BJA also endorses coordination by JRJ administering agencies (to the greatest extent possible) of such programs to promote the optimum benefit to the recipient. The following provides an example of how lump sum payments and monthly payments of JRJ benefits may interplay with the PSLF program and may provide an opportunity to improve coordination:

It is BJA's understanding that in order to be eligible for the PSLF program, a borrower must make 120 "separate, monthly" payments. When a loan servicer receives a lump sum payment – which is to say, a payment in excess of what the borrower is obligated to pay for the month – the loan servicer assumes that the excess, while immediately applied to reduce outstanding installments are satisfied, the borrower is no longer obligated to make monthly payments for the number of months for which the installment has been fully satisfied. BJA understands that this may present two problems for individuals who receive both JRJ and PSLF benefits:

*The first is that the lump sum payment, while satisfying more than one month's payment obligation, is not a "separate payment". Therefore, it can only count as "one" PSLF payment.

*The second problem is that, by removing the borrower's obligation to make future monthly payments, the borrower cannot, for those months, make a "monthly payment" in some cases – even if the borrower voluntarily remits money.

The second problem can be remedied by providing application of payment instructions with the payment. Specifically, the payor/borrower could state that s/he does not intend to apply the excess toward future installments, which will ensure that the borrower continues to be obligated to make future payments over subsequent months. Each loan servicer should provide, on the billing statement, information regarding how the borrower/payor is to provide payment instructions. Therefore, JRJ recipients may be advised (in order to maximize the amount of credit they may receive from (SLF program while working in employment that also entitles them to JRJ program benefits) to provide special payment instructions associated with their JRJ Program award. Borrowers should also be able to provide these instructions for a payment that has already been applied, provided that it is done promptly after the payment is applied.

This example is provided solely for illustrative purposes and should not be construed as financial advice. All grantees and beneficiaries should independently consult with the U.S. Department of Education (and/or other sources) to learn how receipt of JRJ benefits may affect awards through the Public Service Student Loan Forgiveness Program.

Law school, state-based, and employer-based Loan Repayment Assistance Program (LRAPs) have individual policies regarding the effect of receiving benefits from other LRAPs (which may include JRJ benefits in some cases). Applicants are encouraged to contact the LRAP administrators of the programs in which they participate to determine whether JRJ benefits influence eligibility or award amount.

20. What is the process for requesting a waiver of the repayment of JRJ funds for exiting recipients who are within the terms of the JRJ Student Loan Repayment Program Service Agreement?

Waiver requests may be submitted via email at the dedicated mailbox: jrjwaiver@usdoj.gov also found at www.bja.gov/ProgramDetails.aspx?Program_ID=65.

Waiver requests should include:

- i) A sworn statement, made by the recipient (requestor) under penalty of perjury, certifying and attesting to the truthfulness and accuracy of the information provided, in the form of an one (1) page Word document that includes an explanation for the waiver request;
- ii) Attached applicable supporting documentation, including any documentation in support of the waiver request received from the State JRJ Administering Agency.

21. *UPDATE* Is a John R. Justice beneficiary eligible to continue receiving JRJ benefits from their state of origin if they attain an eligible position in a different state?

If, after receiving any JRJ benefit, a current John R. Justice (JRJ) beneficiary changes their state of employment, that individual will no longer be eligible to continue to receive

JRJ benefits from the original award-making state. The original state should deem that individual no longer eligible to receive continued benefits and furthermore classify the individual in an exited/repayment status. Under such circumstances, the individuals, if s/he plans to remain employed in an otherwise eligible position as a public defender or public prosecutor (albeit in a different state) for the remaining duration of his/her JRJ Student Loan Repayment Service Agreement, may request a waiver of repayment and/or apply for continued JRJ benefits through the designated agency in the state of their new employment; however, selection for continued JRJ benefits will not be guaranteed by the new state of employment.