



HOW MUCH MONEY WILL MAKE A DIFFERENCE?

If the goal of our school’s LRAP is to allow graduates to take jobs in, and remain in, public interest law, we want to structure the program so that participants never spend more than a certain percentage of their income on their student loans. Based on the federal government’s alternative repayment options (i.e. Income Contingent Repayment), 20% of a graduate’s take home salary is a realistic amount toward student loans and still maintain a decent standard of living. In order to determine a meaningful amount of loan repayment assistance, we can develop a formula that accounts for some participant contribution and some LRAP contribution toward a participant’s monthly student loan payment.

HOW MUCH WILL OUR PROPOSED PROGRAM COST?

LRAP costs can vary greatly depending on how a school designs the program. The following equations are a guide to how much our proposed program might cost at our school. The following equation assumes our program is to help a participant spend no more than 20% of his or her income on monthly student loan payments (all figures are estimates).

STEP ONE: How much is the average monthly net salary per participant, based on an estimate 30% tax rate?

$$N = \text{Net monthly salary} = (\text{average gross annual income} / 12) \times 0.7 \qquad N = \$2,041.67$$

STEP TWO: What is the average monthly loan payment for participants?

$$L = \text{Loan payments based on a 15 year schedule.} \qquad L = \$550.00$$

STEP THREE: How much should the LRAP pay toward the participant’s monthly loan, assuming the participant should pay no more than 20% of *net* salary toward student loans?

$$L - (0.2 \times N) = P \qquad P = \$141.67$$

STEP FOUR: How many participants, represented by “A”?

$$A = 100$$

STEP FIVE: How much will the program cost in one year?

$$12 \times P \times A = Y^1 \qquad Y^1 = \$170,004$$

STEP SIX: Program costs after 10 years:

$$10 \times Y^1 = \$1,700,040$$