



PAYING FOR LAW SCHOOL: **A PRELIMINARY GUIDE**



INTRODUCTION



Legal education is an investment in your future and is a serious financial investment as well. As with any investment, it is important to consider the pros and cons of entering into such a large expenditure of effort, time, and money. Particularly in uncertain financial times, a realistic assessment of why you are seeking a legal education and how you will pay for it is critical.

The single best source of information about financing a legal education is the financial aid office (or the website) of any LSAC-member law school. LSAC.org provides links to many law schools as well as several good sources of financial aid information.

The cost of a law school education could exceed \$150,000. Tuition alone can range from a few thousand dollars to more than \$50,000 a year. When calculating the total cost of attending law school, you also have to include the cost of housing, food, books, transportation, and personal expenses. Law schools will establish a Cost of Attendance (COA) that includes both the fixed costs of tuition and fees and allowances for your living expenses. It represents the maximum financial aid you may receive from any source for the academic year.

Today, a large majority of law school students rely on education loans as their primary, but not exclusive, source of financial aid for law school. These loans must be paid back with your future income, and the more you borrow, the longer the debt may have an impact on your life after graduation.

Federal student loans offer the most flexible repayment options, including the Income-Driven Repayment (IDR) plans where your monthly payment can be equal to less than 10 percent of your household's monthly Adjusted Gross Income (AGI) rather than on the amount of your total student loan debt. They also provide more opportunities for payment relief than loans funded by

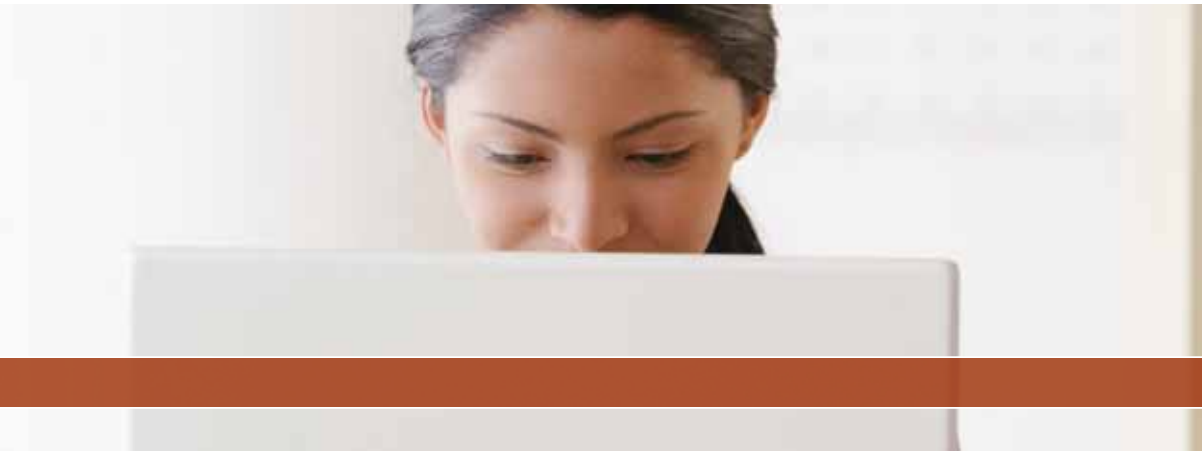
private or institutional sources. Although private and institutional sources of loan funding may be available, these sources typically are used primarily by students who are not eligible for federal student loans. The amount and types of loan funding you are eligible to borrow will be determined by financial aid staff at the school you attend based on the COA at that school, federal regulations, and institutional policies. When borrowing student loans for law school, it is best to

- borrow the minimum amount possible to attend the law school you choose;
- borrow federal loans first; and
- avoid private student loans, unless you are an international student and therefore not eligible for federal student loans.

Scholarships, grants, and fellowships exist, but are limited. Some students are offered part-time employment through the federal work-study program in their second and third years of law school. First-year students are expected to concentrate fully on schoolwork with an ABA-mandated limitation on the number of hours full-time law students are permitted to work.

Changes in financial aid rules and regulations are ongoing, and law school policies vary. Therefore, it is your responsibility to stay current and to educate yourself about financial aid in much the same way that you research law schools when deciding where to apply. ■

DETERMINING ELIGIBILITY



You are eligible to receive financial aid, if needed, in an amount not to exceed the COA established by the law school you attend for the academic year. COA includes tuition and fees, books and supplies, as well as living expenses, transportation, and personal expenses. It is set by the law school and will vary by school. Consumer debt is not included in your COA and should be paid before you attend law school.

The law school's financial aid office will review your financial aid application materials and calculate your eligibility for the various forms of financial aid from all sources. It is important to carefully review your financial aid award and to understand the terms and conditions of all aid offered to you. All applicants for federal student aid (including loans) must complete the Free Application for Federal Student Aid (FAFSA). If you plan on enrolling in law school at the beginning of the fall term, you can apply for federal financial aid using the FAFSA beginning October 1 of the prior calendar year.

If your financial circumstances change after you complete and file your financial aid forms, notify the financial aid office so that your financial aid award can be revised if necessary.

INDEPENDENT/DEPENDENT STATUS

All graduate and professional school students are considered financially independent of their parents for the purposes of determining federal aid eligibility. This means that for the purpose of applying for federal aid (including federal loans), submission of parental information is not required. Law schools, however, may require parental financial information for institutional grants and scholarships. You should be aware that the law schools have specific policies and procedures regarding independent status for the allocation of institutional funds. These guidelines will vary by school. You should

investigate those guidelines for all the schools you are interested in attending.

The financial aid office will notify you of your financial aid eligibility once all application materials have been received and processed if you have been admitted to the school. You may be eligible for several different types of aid, which may be available to bring the cost of attending law school within reach. The amount of aid you receive in each category will depend on your own resources, current federal regulations, and the financial aid policies and resources of each law school. But remember, the total amount of financial aid you are eligible to receive (including loans) cannot exceed—but can be equal to—the total COA for the academic year calculated by the school. So, funding should be available to attend whatever school you choose regardless of your current financial circumstances.

CREDIT

The Federal Direct Graduate PLUS and private loans are approved on the basis of your credit. If you have a poor credit history, you may be denied a loan. If there is a mistake on your credit report—and there are sometimes mistakes—you will want adequate time to correct the error. It is essential to clear up errors or other discrepancies before you apply for a Federal Direct Graduate PLUS or private student loan.

You may want to obtain a copy of your credit report so that you can track and clear up any problems. You can order your free copy from one of the major credit reporting agencies online at annualcreditreport.com. You may also mail a request to

Central Source LLC
PO BOX 105283
Atlanta GA 30348-5283 ■

FINANCIAL AID OPTIONS



Apply early for all institutional aid from law schools.

SCHOLARSHIPS AND GRANTS

A scholarship or grant is an award that does not have to be repaid. It may be given on the basis of need, or merit, or both. Most scholarships are conferred by individual law schools. Some organizations may also have scholarships to offer. Among them are local bar associations; fraternities, sororities, and other social clubs; religious or business organizations; and the US Department of Veterans Affairs. The availability of scholarships and grants is limited, but worth researching. Law school admission and financial aid offices can provide information about the resources available. Be aware that many scholarships and grants are merit-based and may require a certain level of academic performance for continuation. Some schools award merit money shortly after admission, while others may require separate scholarship application forms. Some schools award need-based institutional grant aid. Confirm with each school what application materials are required and the deadline for submitting those materials. Apply early for all institutional aid from law schools. A number of companies offer tuition reimbursement benefits to their employees and to their employees' dependents as well.

FEDERAL LOANS

- **Federal Direct Unsubsidized Loan:** Law students may borrow up to a total of \$20,500 in the Federal Direct Unsubsidized Loan program each academic year from the US Department of Education. Information about the interest rate and fee structure for this loan is available at studentaid.gov. Interest starts accruing as "simple" interest (it is not compounding while you are in school) once the loan is disbursed. This loan has a six-month grace period that delays the start of repayment until six months after you graduate. Flexible repayment plans exist, including options based on your household income; payment relief (deferment or forbearance) is available when needed if you are experiencing financial hardship during repayment; and refinancing is possible through the Federal Direct Consolidation Loan program. This loan also qualifies for inclusion in the Public Service Loan Forgiveness (PSLF) program.



- **Federal Direct PLUS Loan for Graduate Students (Grad PLUS):** Law students with no adverse credit may borrow the Direct Grad PLUS Loan from the US Department of Education to help cover their education costs. If you do have adverse credit, you can apply with an “endorser,” who must be a US citizen or permanent resident and who cannot have adverse credit. You can borrow this loan in an amount up to the school’s Cost of Attendance (COA) minus the amount of all other financial aid you are receiving (including scholarships, grants, and all other loans) for the academic year. As with the Direct Unsubsidized Loan, interest accrues as “simple” interest once funds are disbursed. Repayment of this loan is deferred while you are in school and for six months after you are no longer enrolled in law school. Flexible repayment plans exist, including options based on your household income; payment relief (deferral or forbearance) is available when needed if you are experiencing financial hardship during repayment; and refinancing is possible through the Federal Direct Consolidation Loan program. This loan also qualifies for the Public Service Loan Forgiveness (PSLF) program.

PRIVATE LOANS

A number of private loan programs are available to credit-worthy borrowers who are not eligible for federal student loans. Some lenders also offer postgraduate loans for bar-review study. Eligibility is based on your credit history and the lending institution’s willingness to lend.

Terms and conditions vary greatly. Pay attention to the explanations in loan application brochures and consumer information. You can also contact the individual programs or visit their websites for further details.

Always borrow the minimum needed to attend your chosen school. Borrow federal loans first, if available.

FEDERAL WORK-STUDY

Federal Work-Study is a program that provides funding for full-time students to work part time during the school year and full time during the summer months. Students sometimes work on campus in a variety of settings or in off-campus nonprofit agencies. Students are encouraged to limit their paid employment to no more than 20 hours per week during the academic year **after their first year** in law school. (Full-time students are discouraged from part-time paid employment during the first year so that they can focus on performing as well as possible on their coursework.) Additional information is available from the financial aid office serving a participating law school. Not all law schools participate in the Federal Work-Study program.

VETERANS EDUCATIONAL ASSISTANCE

The US Department of Veterans Affairs administers a number of educational benefit programs for veterans. These include, but are not limited to, the Montgomery GI Bill and the Post-9/11 GI Bill (9/11 GI Bill). The 9/11 GI Bill assists eligible individuals with tuition and fees, a monthly housing allowance, an annual books and supplies stipend, and a one-time rural benefit payment for eligible individuals. In addition to the 9/11 GI Bill providing an education benefit for eligible veterans, the education benefit may also be transferred to dependents under certain conditions.

The 9/11 GI Bill also has a provision that established the Yellow Ribbon Program, which assists with funding tuition and fee expenses not covered by the 9/11 GI Bill. The benefits are exclusively for eligible veterans; the Yellow Ribbon benefits cannot be transferred to dependents. For more information on veterans educational assistance, check with the US Department of Veterans Affairs and the veterans’ benefits coordinator on the campuses of the law schools to which you are applying. ■

NOTE: All loan terms are based on current federal statutes/regulations, and are subject to change.

APPLYING FOR AID STEP BY STEP



The financial aid office serving the law school will review your financial aid application materials and calculate your eligibility for the various forms of financial aid from all sources. It is important to carefully review your package and to understand the terms and conditions of all aid offered to you.

Here is a list of steps you must take to apply for financial aid.

IF YOU ARE APPLYING FOR FEDERAL AID

1. The financial aid process begins with the gathering of information about the specific financial aid application procedures and deadlines for the law schools that you are interested in attending. You should not wait until you receive admission to begin the process. In fact, you should be investigating the financial aid procedures and deadlines as you are investigating the admission application requirements.
2. Prepare your federal income tax returns as early as possible after the first of the year. Schools may want to see a copy of your actual tax return, so be sure to keep a photocopy for your files. The Free Application for Federal Student Aid (FAFSA) requires information that is requested directly from your federal income tax return. You can file the FAFSA for an upcoming academic year beginning October 1 of the prior calendar year. You can submit the FAFSA anytime after that date—the earlier, the better.
3. Complete the FAFSA online at fafsa.gov. FAFSA is a need-analysis tool developed by the US Department of Education. As the name implies, there is no charge for the collection and processing of data or the delivery of financial aid through this form. So, do not pay anyone to help you complete or process your Free Application for Federal Student Aid (FAFSA). If you need help filling out the application, contact the financial aid office serving the law schools to which you are applying for assistance.



- When completing the FAFSA form, you will designate the names and school codes of up to 10 law schools to which you are applying. Additional schools may be added once the FAFSA is processed. Information on school codes is available from the financial aid office serving the law schools to which you are applying or at fafsa.gov.
- The FAFSA form asks for information about your income, assets, and other financial resources. Be sure to answer “yes” to the following two questions:
 - Are you a graduate or professional student?
 - Have you completed a bachelor’s degree by July 1 of the year you will be attending law school?

All graduate/professional students are considered financially independent of their parents for the federal loan programs.

4. The financial aid staff serving the law schools to which you apply will determine the type and amount of financial aid you are eligible to receive for the academic year. The amount offered by each law school will vary because costs vary from school to school. You will receive notification of your financial aid package once all information has been received, if you have been offered admission to the school.
5. Once you determine the school that you will attend, you will need to apply for any loan funding you need to borrow. Follow the instructions provided by the school to complete the required loan application materials. Remember, you cannot borrow more than what the financial aid staff has determined you are eligible to borrow. Also, you should borrow the minimum amount needed to attend the school you have chosen.

IF YOU ARE APPLYING FOR INSTITUTIONAL SCHOLARSHIPS AND GRANTS

Call, write, email, or visit the website of the financial aid office serving the law schools to which you are applying. Determine if the school requires any applications or documents in addition to the FAFSA and admission application materials for you to be considered for financial aid, including any scholarship or grant funding they offer to students. You may need to complete an institutional financial aid application or an additional fee-based application such as the CSS Profile. The school also may require you to provide financial information from your parents if they offer need-based scholarship/grant funding. In addition, be aware of any application filing deadlines—many schools do have priority deadlines for receiving the financial aid application materials. ■

BEFORE LAW SCHOOL: CAREFUL PLANNING



Because at least a portion of your financial aid is likely to come from loans, you can expect to graduate from law school with debt to repay. In essence, you will end up with an “education mortgage.” This “mortgage” represents the financing you will need to make this investment in yourself. But, it still is important to borrow wisely.

Plan a financial strategy before you enter law school. If possible, pay off any outstanding consumer debt. Save as much money as you can to reduce the amount you will need to borrow. Have a plan for meeting the expenses of your legal education and anticipate what portion of the plan will be based on borrowing. It is also important that you have a good credit history.

Because at least a portion of your financial aid is likely to come from loans, you can expect to graduate from law school with debt to repay. Currently, many law students are borrowing more than \$100,000 to finance their legal education. Keep accurate records of all loans you borrow during your enrollment in law school; this will help you manage repayment of those loans when you complete your education. A good resource for tracking all your federal student loans is the National Student Loan Data System (NSLDS), created by the US Department of Education. You can view a complete history of your federal student loans at nslds.ed.gov.

You are required to complete entrance counseling prior to the first disbursement of a Federal Direct Unsubsidized or Federal Direct Graduate PLUS loan in a new degree program. You also are required to complete exit counseling prior to leaving school. The financial aid staff will instruct you on how to complete these loan-counseling requirements. You may need to do so online or during in-person meetings at the law school. Information about the loan terms, repayment obligation, payment options, sample payment schedules, and other important information about managing loan repayment will be provided to you during this counseling activity.

WHILE IN LAW SCHOOL: LIVING ON A BUDGET



Since loans often are a major funding source students use to pay for law school, it is important to think about how much you should borrow. It should be the minimum amount you need to attend the law school you choose and to achieve your goal of becoming an attorney. Determining that amount requires that you estimate your in-school budget to determine how much law school will cost for you. Then you need to estimate how much you will be able to contribute from your own resources (and from your family) as well as any scholarship or grant funding you expect to receive. The difference between what it will cost and what you have from other sources should represent the amount you will need to borrow to fill the funding gap. And hopefully it is less than what the school has indicated you are eligible to borrow. The amount of loan funding included on your financial aid notice from the school is not prescriptive—it is not what you *should* borrow—but rather, it represents the maximum amount you are *eligible* to borrow based on the information you provided in your financial aid application materials, the Cost of Attendance for the school you choose, current federal regulations, and school policies.

The maxim “Live like a student now or you will live like a student later” is a good one to remember. Consult the Cost of Attendance (COA) for each school you are considering to obtain an estimate of the living expenses you might incur to attend that school for the academic year. Doing so will allow you to estimate your budget accordingly. Track your current spending habits and compare them to the COA at those schools. To reduce spending, consider sharing housing costs with a roommate rather than living alone while in law school (check with the school to see if they offer any assistance in finding a roommate). And watch what you spend on food and entertainment. These expenses often can be budget busters. Bring your lunch rather than buying one on campus each day. While law school may be an

excellent long-term investment, you will have to repay what you borrow (with interest), so borrow wisely. Remember, not all lawyers earn the highest salaries.

But, remember, you also will need funds to cover your living expenses during the summers between each year of law school, and as you prepare for and take the bar exam after you graduate. You cannot receive “extra” financial aid to cover these expenses, so make certain you account for them as you decide how much to borrow each academic year. You may need to use your savings or earnings from employment for these summertime and postgraduate expenses. Also note that current federal regulations do not allow schools to include the cost of repaying your prior consumer debt (such as credit card debt) in Cost of Attendance. So it is important to pay off any existing consumer debt before you start law school, if possible. However, repayment of your prior education loans should be eligible for deferment while you are in school.

Interest on Direct Unsubsidized and Direct Graduate PLUS loans accrues from the date funds are disbursed. It accrues as “simple” interest; it is not compounding while you are in school. The accrued interest will be capitalized (added to the principal loan balance) when the loans enter or re-enter repayment (six months after you are no longer enrolled in law school). As such, you will not be paying “interest on the interest” while you are in school.

You will not have to start repaying the federal loans you borrow to attend law school until at least six months after you leave school. You also should be able to defer repayment of any federal (and perhaps, private) student loans you borrowed prior to enrolling in law school. Contact the loan holder or servicer of **any** prior student loan to investigate your deferment or forbearance options and to learn how to pursue those options. ■

REPAYMENT OPTIONS



Federal loans offer **choice, flexibility,** and **safety** during repayment so that you can repay all that you borrow *and* achieve your other financial goals.

Your income after law school is an important factor in determining what constitutes manageable payments on your education loans. Although it may be difficult to predict what kind of job you will get (or want) after law school, or exactly what kind of salary you will receive, it is important that you make some assessment of your goals for the purpose of sound debt management. The money you borrow will be paid back from your future earnings. It could have a significant impact on your lifestyle if you do not understand your payment options and plan for repayment strategically after you graduate. In addition to assessing expected income, you must also create a realistic picture of how much you can afford to pay back on a monthly basis while maintaining the lifestyle that you desire.

You may have to adjust your thinking about how quickly you can pay your loans back, how much money you can afford to borrow, or how extravagantly you expect to live in the years following your graduation from law school.

Your education loan debt represents a serious financial commitment that must be repaid. A default on any loan engenders serious consequences, including possible legal action against you by the lender or the government, or both.

Federal loans offer graduated, extended, and income-driven repayment plans that lower monthly payment amounts but increase the number of years of repayment. The Federal Direct Consolidation Loan allows students to refinance any of their existing eligible federal student loans on an extended repayment schedule, lasting up to 30 years.

Be strategic when repaying your federal student loans. Understand the repayment options that are available and take advantage of the flexibility that is available when deciding how to manage repayment. Learn more about repayment and check out the "Repayment Estimator" that is available from the US Department of Education at studentloans.gov.



STRATEGIES FOR GRADUATES SEEKING PUBLIC INTEREST CAREERS

Students who seek to work in public service or the public interest sector of the profession face special challenges in financing their legal education because salaries for such jobs are often lower relative to comparable work in the private sector. Students graduating from law school with the average amount of indebtedness may find that the average entry-level public service or public interest salary will not provide the resources needed to repay their law school loans while at the same time affording their basic living expenses.

Students can employ a number of strategies to make it easier (or possible) to pursue a career in government or public interest law. First, students can borrow less during law school (attend a lower tuition institution; follow some of the debt management strategies mentioned here). Students may also take advantage of programs developed at some law schools to relieve the debt burden for those interested in public interest careers, including fellowships, scholarships, and loan repayment assistance programs (LRAPs). LRAPs provide financial assistance to law school graduates working in the public interest sector, government, or other lower-paying legal fields. In most cases, this aid is given to graduates in the form of a forgivable loan to help them repay their annual educational debt. Upon completion of the required service obligation, schools will forgive or cancel these loans for program participants. The number of law schools sponsoring LRAPs is limited. Most schools are unable to provide assistance to all applicants. LRAPs are also administered by state bar foundations, public interest legal employers, and federal and state governments to assist law graduates in pursuing and remaining in public interest jobs.

The federal government offers repayment options to assist graduates seeking legal careers in public service, including the Income-Driven Repayment (IDR) plans, such as Revised Pay As You Earn (REPAYE), Pay As You Earn (PAYE), and Income-Based Repayment (IBR). REPAYE, PAYE, and IBR allow all federal education loan borrowers the opportunity to make lower monthly payments on their federal loans (including, but not limited to, those employed in public service positions), provided that income qualifications are met. Monthly payments under these repayment plans are based on a percentage of your household's adjusted gross income (AGI) and your family size rather than on the amount of your federal student loan debt.

The IDR plans are intended to provide greater financial flexibility and affordability in hopes that your federal student loan debt does not prevent you from pursuing a career in public service. Please check with the financial aid office serving the law school or directly with the US Department of Education at studentloans.gov for more information about the IDR plans.

The Public Service Loan Forgiveness (PSLF) program also provides a repayment benefit once you complete 120 months of qualifying public service. The PSLF program allows borrowers who are paid employees of qualifying government or nonprofit organizations and who are making payments under REPAYE, PAYE, or IBR to have their outstanding balances forgiven on their Federal Direct loans after 120 months of qualifying public service employment and qualifying payments. Please check with the financial aid office serving the law school or directly with the US Department of Education at studentaid.gov/publicservice for details on the PSLF program. ■

NOTE: All loan terms are based on current federal statutes/regulations, and are subject to change.

QUESTIONS TO ASK ABOUT FINANCIAL AID

As you speak with representatives from law schools, here are some of the questions you should ask as a prospective law student:

- Are there forms in addition to the FAFSA that I must complete for your school to receive financial aid?
- Does your school have a priority deadline for the FAFSA and other financial aid application materials?
- Does your school consider parental financial information when determining eligibility for institutional scholarships or grants? If so, how do I provide that information to your school?
- What is the current Cost of Attendance (COA) and what does it include?
- What kinds of scholarships are available? Specifically, ask about merit- and need-based scholarships.
- What is the average amount borrowed by your recent graduates?
- Do you have a "Loan Repayment Assistance Program" (LRAP) for graduates who pursue a career in public service after graduation?
- Will I be able to work during law school? Are there any on-campus jobs or work-study positions available?
- What is the job placement rate at your law school, and what is the salary range for your recent graduates?

Keep in mind that the law school is the primary source of information regarding money for legal education.

In addition to the websites of the individual law schools (which can be accessed through LSAC.org), the following US Department of Education sites may prove helpful:

- **fafsa.gov**
Free Application for Federal Student Aid
- **nslds.ed.gov**
National Student Loan Data System
- **studentaid.gov/publicservice**
Information and resources regarding the Public Service Loan Forgiveness program
- **studentaid.gov**
Primary source of federal financial aid information and resources
- **studentloans.gov**
Information and tools for managing federal student loans, including a "Repayment Estimator" and information about the Income-Driven Repayment (IDR) plans (e.g., REPAYE, PAYE, IBR)

