



FINANCIAL AID 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 set up a "Cost of Attendance" that includes the maximum financial aid you may receive for tuition and living expenses. Today, approximately 80 percent 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, and the more a student borrows, the longer the debt will have an impact on a student's life after graduation. Loans from government and private sources at low and moderate interest rates may be available to qualified students. Both federal and private loans are based on the law school's estimate of your need and the overall cost of attendance. Credit history is a factor for

private loans and the federal GradPLUS loan. Students must have excellent credit to be approved for most private loans. Typically, the lowest interest rates are associated with federal loans; private education loans may be available at higher (and often variable) rates. Institutional loans may be available from the school. 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



The law school's financial aid office will review your application 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. All applicants for federal student loans must complete the Free Application for Federal Student Aid (FAFSA). If you plan on attending law school on or after July 1, you can apply for federal financial aid through the FAFSA form after January 1 of the same calendar year.

Your financial need is the difference between your resources and the total cost of attendance. Your unmet financial need is determined by subtracting the amount of your federally calculated Estimated Family Contribution (EFC), as well as any scholarships and/or grants you receive, from the total Cost of Attendance (COA). The budget used for determining need includes tuition, books and supplies, as well as living expenses, transportation, and personal expenses. The Student Expense Budget is set by the law school and will vary by school. Consumer debt is not included in your Student Expense Budget and should be paid before you attend law school.

If your financial circumstances change after you complete and file your financial aid forms, notify the financial aid office so that your need analysis may be revised.

INDEPENDENT/DEPENDENT STATUS

All graduate and professional school students are considered independent 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 income information for institutional grants, loans, 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.

The law school financial aid office will send you a letter explaining your financial aid eligibility. 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 and the financial aid policy and resources of each law school.

CREDIT

Graduate PLUS and private loans are approved on the basis of your credit. Lenders will analyze your credit report before approving a private loan. Most offer prequalification services on the Internet or by phone. 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 private or Graduate PLUS 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 by calling 877.322.8228, or you can go to www.annualcreditreport.com. You may also mail a request to:

Annual Credit Report Request Service
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 require separate forms. Some schools award need-based institutional aid. Confirm with each school what their individual school requirements are. 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

• **(Unsubsidized) Federal Direct Stafford Loan:**

A student may borrow a total of \$20,500 in Federal Stafford Loans. The interest rate for these loans is 6.8 percent annually and a 1 percent loan fee is deducted at disbursement. Interest starts accruing as soon as the loan is disbursed. These loans have a six-month grace period before repayment begins; they have federal forbearance and deferment options, may be consolidated, and may be repaid under Income-Based Repayment (IBR). These loans may be eligible for inclusion under the federal Public Service Loan Forgiveness (PSLF) program.

- **Graduate PLUS Loans for Law Students:** Students with an absence of bad credit may be eligible to secure a Graduate PLUS loan. The Graduate PLUS is federally guaranteed. Interest accrues while the student is in



school, and repayment begins following disbursement. The interest rate is 7.9 percent, and a 4 percent loan fee is deducted from the disbursement. The interest rate is fixed for the life of the loan. These loans have federal forbearance and deferment options, may be consolidated, and may be repaid under IBR. These loans may be eligible for inclusion under the federal Public Service Loan Forgiveness (PSLF) program.

- **Federal Perkins Loan:** This loan may be available to students at some schools. Each student's award is determined by the school based on information obtained from the FAFSA. The maximum annual loan is \$8,000. These loans may be eligible for inclusion under the federal Public Service Loan Forgiveness (PSLF) program.

PRIVATE LOANS

There are a number of private loan programs available to credit-worthy borrowers. Additionally, some lenders make available postgraduate loans for bar-review study. Eligibility for these bar loans is based on the borrower's credit history and the lending institution's willingness to lend.

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

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. ABA standards limit a law student's paid employment to no more than 20 hours per week. Additional information is available from participating law school financial aid offices. Not all 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, 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. This program assists with funding tuition and fee expenses not covered by the 9/11 GI Bill. The benefits of this particular program 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 Offices of Veterans Affairs on the campuses of the law schools to which you are applying. ■

NOTE: All figures and calculations are based on current interest rates, loan terms, and fees, and are subject to change.

APPLYING FOR AID STEP BY STEP



The law school's financial aid office will review your application and calculate your eligibility for the various forms of financial aid from all sources. It is important to review carefully 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. Start the financial aid process in January to be well in advance of the school's particular filing deadline. You should not wait until after you receive admission offers to begin the planning process.
2. Obtain the Free Application for Federal Student Aid (FAFSA) online. 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. Do not pay to process your free application.
 - 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 any law school financial aid office or at www.fafsa.ed.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 independent of their parents for the federal loan programs.



3. Prepare your federal income tax returns as early as possible after the first of the year. Most schools will want to see a copy of your actual tax return, so be sure to keep a photocopy for your files. The FAFSA requires information that is requested directly from your tax return. While information packets (including the FAFSA) may be available from some law school financial aid offices in the fall, the FAFSA cannot be filed until after January 1. (It will not be accepted if received before the first of the year.) However, you can file any time after the first of the year—the earlier, the better.
4. The law schools to which you apply will determine your eligibility for federal financial aid. The amount offered by each law school will vary, and each student's financial need will be assessed individually because costs vary from school to school.
5. Once you determine the school that you will attend, you may begin the federal loan application process. You can begin your research early, however.

IF YOU ARE APPLYING FOR INSTITUTIONAL AID

Call, write, e-mail, or visit the website of the financial aid office of the law schools to which you are applying. Some schools may require you to submit information in addition to the FAFSA. You may be asked to complete an institutional financial aid application or an additional form from another agency such as Need Access or CSS Profiles. It is important to know which schools require additional information. Many schools have very early filing deadlines. ■

BEFORE LAW SCHOOL: CAREFUL PLANNING



Because most of your financial aid is likely to come from loans, you are likely to graduate from law school with debt to repay.

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 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 most of your financial aid is likely to come from loans, you are likely to graduate from law school with debt to repay. Currently, the average law school debt is about \$100,000. Keep accurate records of all loans you receive during your enrollment in law school; this will help you manage your repayments when you complete your education.

Federal loan recipients will be required to attend an entrance interview during the first few weeks of law school and an exit interview before leaving school. During these sessions, your financial aid officer will review with you the terms of your loan, sample repayment schedules, and repayment options.

WHILE IN LAW SCHOOL: LIVING ON A BUDGET



While loans may be available to students with good credit histories, the question of how much to borrow is often asked. The maxim “Live like a student now or you will live like a student later” is a good one to remember. Consult an individual school’s Student Expense Budget for estimates of living expenses, and budget accordingly. Track your current spending habits and compare them to the budget at schools of your choice. Share housing; learn to cook. Food expenses are often budget busters. Bring a lunch rather than buying one. While law school may be an excellent long-term investment, paying loans in the short term can be a real burden. Remember, not all lawyers will earn the highest salaries.

Most federal loans allow you to defer payment while you attend law school at least half time. Interest on federal unsubsidized, GradPLUS, and private loans accrues from the date they are disbursed. Be aware that the Student Expense Budget does not allow the use of federal education loan funds to pay for prior consumer debt. ■

REPAYMENT OPTIONS



Federal loans offer graduated and income-sensitive repayment plans that lower monthly payment amounts but increase the number of years of repayment.

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 out of your future earnings and may have a significant effect on that lifestyle. 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, or how much money you can afford to borrow, or just 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.

Law school graduate debt of \$100,000 amounts to almost \$1,187 a month on a standard 10-year repayment plan. Federal loans offer graduated and income-sensitive repayment plans that lower monthly payment amounts but increase the number of years of repayment. The Federal Direct Consolidation Loan allows students to repay their Federal Stafford, Ford Federal Direct, and Graduate PLUS loans on an extended repayment schedule, lasting up to 30 years. This repayment allows borrowers to pay a small amount monthly toward their loans, depending on income and the loan amounts. There also may be forgiveness after 25 years, and federal loan forgiveness for government and nonprofit employees after 10 years. The federal government and many lenders have websites with loan repayment and budget calculators.



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 educations because salaries for such jobs are low. Students graduating from law school with the average amount of indebtedness may find that the average entry-level public service or public interest salary (\$43,000 for 2009 graduates) will not provide the resources needed to repay their law school loans and cover 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 on this site). 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 some options to assist graduates seeking legal careers in public service, including the new income-based repayment (IBR) option for federal loan repayment and

the Federal Loan Forgiveness Program, both beginning in 2009. The IBR will allow any federal education loan borrower the opportunity to make low monthly payments on their federal loans (including, but not limited to, those employed in public service positions), provided that income qualifications are met. The Federal Loan Forgiveness Program allows borrowers who work in government or nonprofits the opportunity to make payments under the IBR, then have their outstanding balances forgiven after 120 eligible payments. Please check with your schools or directly with the Department of Education for details on these new programs.

For more information about loan repayment assistance programs or the income-based repayment programs, visit ambar.org/studentloans or equaljusticeworks.org. ■

NOTE: All figures and calculations are based on current interest rates, loan terms, and fees, and are subject to change.

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

- **aals.org**
(The Association of American Law Schools)
- **ambar.org/studentloans**
(ABA Section of Legal Education and Admissions to the Bar)
- **equaljusticeworks.org**
(formerly National Association for Public Interest Law)
- **fafsa.ed.gov**
(Free Application for Federal Student Aid)
- **federalstudentaid.ed.gov**
(US Department of Education)
- **nalp.org**
(The Association for Legal Career Professionals)

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