Financial AID for Law School:
A PRELIMINARY GUIDE

Money for law school is available, in the form of scholarships, grants, work-study, and loans. Law students finance most of their education through loans, either from the federal government or private sources—often both. The amount of aid you receive and the form it takes is largely determined by the law schools; therefore, the law schools to which you are applying should be your primary source of information. This brochure can give you answers to some basic questions you may be asking yourself: What does the process of securing financial aid involve? How is eligibility for financial aid determined? What goes into a financial aid package? What can I do ahead of time to improve my chances of getting financial aid?

Changes in financial aid rules and regulations are ongoing. 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.

The single best source of information about financing a legal education is the financial aid office (and/or the website) of any LSAC-member law school. The financial aid office at each school can provide information about how students at that particular institution typically finance their law school education. Information about private scholarships, application procedures, and alternative loan sources is available through the Internet. LSAC's website, www.LSAC.org, provides links to many law schools as well as to several good sources of financial aid information.

The cost of a three-year law school education could exceed $150,000. Tuition alone can range from a few thousand dollars to more than $40,000 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 determine the student expense budget for you. Today, approximately 80 percent of law school students rely on education loans as their largest source of financial aid for law school. Loans from governmental and private sources at low and moderate interest rates are 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. Students must have good credit to be approved for most private loans. Typically, the lowest interest rates are associated with federal loans; private education loans are available at higher 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 year of law school. First-year students are expected to concentrate fully on schoolwork. Additional information is available from the law school financial aid office.
Financial Aid Options

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 individual organizations may also have scholarships to offer. Among them are local bar associations; fraternities, sororities, and other social clubs; religious or business organizations; and veterans’ groups. You will have to take the initiative in researching these possible scholarship resources. A number of companies offer tuition reimbursement benefits to their employees and to their employees’ dependents as well.

FEDERAL LOANS
Most law schools participate in the Federal Family Education Loan Program (FFELP), which includes the Stafford loans. Students borrow Stafford and PLUS loans through banks or other lenders. A number of schools now provide federal loans from the U.S. Treasury through the Federal Direct Student Loan Program (FDSL P), which includes William D. Ford Federal Direct loans. Under this program, you will not be borrowing federal loans through a bank. Your loans will be disbursed directly by the law school financial aid office. Because federal programs are subject to regulation changes, you may wish to contact the law school for further information. The terms and conditions under the FDSL P and the FFELP may vary. Contact your financial aid administrator for the latest available information. There are three types of federal loans available to law students.

• (Subsidized) Federal Stafford and Ford Loan. Up to $8,500 a year is available in subsidized Federal Stafford or Ford loans to students who meet the need criteria.* Interest is paid by the federal government while you are enrolled in school at least half-time. You must begin repaying the loan six months after you graduate, withdraw, or drop below half-time. You can obtain an application from any lender that participates in the federal loan program, or from any law school.

• (Unsubsidized) Federal Stafford and Ford Loan. In combination with the subsidized loan, a student may borrow up to a combined total of $20,500 in subsidized and unsubsidized loans.* The amount the student receives in the subsidized loan is deducted from the $20,500 in order to determine eligibility for the unsubsidized loan (for example, if the student is only eligible for $3,000 in subsidized loans, he or she could receive $17,500 in unsubsidized loans).

• Federal Perkins Loan. This loan is 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 $6,000.

• Graduate PLUS Loans for Law Students. Graduate students with an absence of bad credit may be eligible to borrow a Graduate PLUS loan. The PLUS is federally guaranteed and the interest rate is subsidized. Interest accrues while the student is in school, and repayment begins immediately. The interest rate is 8.5 percent fixed for the life of the loan. Forbearance is available while the student is in school. Many students who have good credit are choosing Graduate PLUS instead of private loans.

PRIVATE AND PLUS LOANS
There are a number of private loan programs available to credit-worthy borrowers. Many of these programs allow you to borrow federal as well as private loans, which may help you keep track of your loan portfolio. Many also offer phone-in or online application for their private and federal loans. Some lenders make available post-graduate loans for bar-review study. These bar examination loans are available to most students who have good credit.

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 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. Additional information is available from any law school financial aid office. Not all schools participate in the federal work-study program.

CREDIT
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 often mistakes—you will want adequate time to correct the error. It would be wise to clear up errors or other discrepancies before you apply for a private or 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 or all of the major credit reporting agencies by calling 1.877.322.8228, or you can go to www.annualcreditreport.com. You may also send a mailed request to Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281.

*All figures and calculations are based on current interest rates, loan terms, and fees, and are subject to change.
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 review carefully your package and to understand the terms and conditions of all aid offered to you.

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 you are able to contribute toward your legal education, as well as any scholarships you receive, from the total cost of attendance. 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 circumstances change after you complete and file your financial aid forms, notify the financial aid office so that your need analysis may be revised.

SPECIAL CONSIDERATIONS

• Independent/Dependent Status. All graduate and professional school students are considered independent for the purposes of determining federal aid eligibility. Law schools, however, may require parental income information for institutional grants, loans, and scholarships. You should be aware that the law schools have specific guidelines regarding independent status for the allocation of institutional funds. These guidelines will vary by school.

• Home Equity. The equity in a home is not considered an asset in need-analysis calculations used to determine financial aid eligibility for federal aid, but it may be used in calculating eligibility for institutional aid.

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, some or all of which may be available in combination 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.

Some schools award merit money shortly after admission, while others require separate forms. Some schools award need-based institutional aid. Check with each school for required forms. Apply early for all aid from law schools.
Applying for Aid Step by Step

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 at [www.fafsa.ed.gov](http://www.fafsa.ed.gov) or on paper from your college or university financial aid office, or from a law school to which you are applying. FAFSA is a need-analysis tool developed by the U.S. 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 six 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](http://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 questions: (1) Are you a graduate or professional student? And (2) have you completed a bachelor’s degree by July 1, 2008? 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. (They will be returned to you 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.

6. Many of the private education and PLUS loan programs will make credit decisions on the telephone or online. Contact them for details.

**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.
Repayment: An Overview

BEFORE LAW SCHOOL: CAREFUL PLANNING
You will benefit greatly by planning 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. It is also important that you have a good credit history.

Because most of your financial aid will come from loans, you are likely to graduate from law school with debt to repay. Currently, the average debt for law school graduates who borrowed both federal and privately guaranteed student loans is about $90,000. For those who borrowed only federally guaranteed student loans, the average debt is just over $55,000. 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. You should consult an individual school’s Student Expense Budget for estimates of living expenses, and budget accordingly. Consider tracking your current spending habits and comparing them to the budget at schools of your choice. Look into having a roommate; 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 subsidized loans does not accrue, while unsubsidized, Grad PLUS, and private loans accrue interest while you are in law school.

The Student Expense Budget does not allow the use of federal education loan funds to pay for prior consumer debt.

PLANNING AHEAD: REPAYMENT OF YOUR LOAN
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. 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 which must be repaid. A default on any loan engenders serious consequences, including possible legal action against you by the lender and/or the government.

Law school graduate debt of $90,000 amounts to almost $1,100 a month on a 10-year repayment plan. Most lenders offer graduated and income-sensitive repayment plans that lower monthly payment amounts but increase the number of years of repayment. Federal Loan Consolidation allows students to repay their Federal Stafford and Ford Federal Direct Loans on an extended repayment schedule, lasting up to 30 years. Many lenders have good websites with loan repayment and budget calculators.
After Graduation

REPAYMENT OPTIONS
You may be able to reduce your monthly payments by consolidating your federal loans into one new loan after graduation. Check with your lender to see if consolidation is available for your private loans. Consolidating loans in this manner will decrease your monthly payment, which could make a difference to you in the first few years after law school. You can extend your repayment period to a maximum of 30 years, but you will pay more interest in the long run. There is no penalty for prepayment.

Many lenders offer a variety of repayment options even without consolidation. Under these arrangements, you may be able to pay only interest during the first few years and have (re)payments increase gradually. You may be able to reduce your interest rates through special incentives offered by your lender as a reward for on-time payments or for making payments by automatic transfer from your checking or savings accounts.

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 ($40,000 for 2006 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 in this chapter). 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: as of December 2006, approximately 106 law schools sponsored programs. The funding for these programs is limited, so 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. The payments are equal to 15 percent of the difference between the borrower’s earnings and 150 percent of the federal poverty level. The Federal Loan Forgiveness Program allows borrowers who work in government or nonprofits the opportunity to make payments under the IBR, and 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 IBR, visit www.abalegalservices.org/lrap or www.equaljusticeworks.org.