

Law School Loans

Chances are, you're planning to pay for law school with student loans.

You're not alone. According to the ABA about 87% of law students pay for law school with student loans (ref. 1). Debt of more than \$80,000 is not unusual - but that level of debt can restrict your career options after law school.

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Here we outline your options in terms of law school loans, both federal and private, and we make recommendations on how to deal with that debt once you've graduated.

The basics of financing law school are straightforward. Pay for what you can, borrow first through a federally guaranteed instrument (Stafford Loans), if that doesn't cover the costs then borrow from private banks through a specific student loan program. Avoid, as much as possible, any private, high-interest loans for which you have to start paying right away.

Stafford Loans

Federally guaranteed loans are a great borrowing option. Because the government guarantees payment on the loan, lenders are eager to lend you as much as you need. In return, though, you as a borrower get to defer payment until after you've graduated, and interest rates are lower than unsecured loans.

The down side is that the amount you can borrow is limited. At this writing, a professional or graduate student can only borrow \$18,500 a year. For many law schools, that just scratches the surface of costs.

Private Law School Loans

Because of the high potential earnings of a lawyer, lenders are also eager to make up the difference with their own private loans. Since these loans are not federally guaranteed, the interest rate is usually higher than Stafford Loans, and you can't consolidate them with your federal student loans.

The good news is that many lenders have built student loan packages to mirror the benefits of federal loans. For example, you can often defer payments until after graduation and there are sometimes (read the fine print) forbearance or deferment options after graduation.

Law School Loan Programs

Specific private loan programs you might look into include:

Sallie Mae LawLoans: Ever since Sallie Mae broke free of the federal government it has been putting out highly targeted private student loan products. Despite the huge amounts of money Sallie Mae has been making on student loans, you might still look into this program.

Edvisors Network : Edvisors and its lending branch, the Student Loan Network, have a private law school loan.

Citibank : The CitiAssist Law and Bar Study Loans are tailored to law students, with a small post-graduate extension that can be helpful while studying for the bar.

Consolidating Law School Loans

Immediately after graduation is the time to consider consolidating your student loans.

Consolidating has two big advantages. First, depending on interest rates, you might be able to get a lower interest rate than what you currently have. This was true for the past two years, when student loan consolidation rates were at historical lows.

The other big advantage is increasing the term on the loan. Student loans have 10-year periods. The monthly payment for a recent law graduate with \$80,000 in debt is \$1,000. That doesn't work so well for a lot of people (see attorney salaries for an idea of what attorneys make by region and seniority). The ABA makes the very valid point that such high law student debt amounts prevents attorneys from going into public service (ref. 1).

Consolidating law school loans is the same as consolidating any other student loans: Don't mix federal and private loans, avoid consolidating the loans of two people together (for example spouses), and keep an eye on the July 1 deadline for interest rate changes.

References

1. Lifting the burden: Law student debt as a barrier to public service. A report from the ABA on the effect of student debt on career decisions for young attorneys.

2. Attorney Salaries: Salary reports by attorney seniority and geographical region.

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