

Paying for Law School

LAW SCHOOL ADMISSION COUNCIL



MONEY is available!



- Financial aid is available to cover your costs up to the “**Cost of Attendance**” (COA)—*tuition/fees, books/supplies, living expenses*—at any law school
 - Scholarships/grants
 - Loans
- You must apply for the funding you need
 - **Admission application**
 - “**Free Application for Federal Student Aid**” (FAFSA)
 - *Other forms/materials may be required*

As such, you need to plan and prepare financially to get the money you need!

Paying for law school ...



... starts today!

You need to ...

Gather information:

- Ask each law school you want to attend:
 - what is their COA and what scholarship funding is available;
 - how to apply for the funding you will need (including loans); and
 - when to apply.
- Research scholarship opportunities from sources other than the law schools.

Get your “financial house” in order:

- Save as much as possible.
- Start “living like a law student!”
- Pay off consumer debt (e.g., your credit card debt).

Majority of law school students ...



... now graduate with an
EDUCATIONAL MORTGAGE

Your Educational Mortgage

- Average amount owed by law school graduates now exceeds \$100,000; *for some it can exceed \$200,000.*
- Borrowing money is not a bad thing if it allows you to obtain your education now – it is an **INVESTMENT** just like your future home will be an investment.
- This “mortgage” need not “*box you into a corner*” financially if you make **smart, strategic**, and **well-informed** decisions about how you pay for law school.

What do you think?



- Should you borrow private student loans rather than federal student loans if you could get a lower interest rate?
- Should you pay the interest on your loans as it accrues while in law school?
- Should you borrow the minimum amount possible to achieve your goals?

Normally with DEBT ...



*... you can feel “boxed into a corner”
from a financial perspective!*

Why are you in that “corner”?

- Because payments are “locked-in” and based on the amount you owe—your **DEBT**—*not on your ability to repay that debt*

As such, DEBT puts you at RISK and LIMITS your options, financially

- Puts you at **RISK** of having to miss the payment if you have a loss of income or an unexpected expense.
- **LIMITS** options, e.g., your ability to pursue the job you want, invest for retirement, buy a house.

But, not all DEBT is the same ...

What's the difference?

“DEBT”

Credit cards

“Debt”

*Home mortgage,
private student loans*

“debt”

Federal student loans

Federal student loans are unique ...

They offer ***choice, flexibility*** and ***safety***:

- **Payments can be based on 10% of your household's "discretionary income"**
- **Payment relief options are available**
- Loan forgiveness may be available

In essence, federal student loans offer a **financial safety net** that all other debt lacks, as such they need not ***"box you into a corner"*** financially!

What is the “cost” of debt?

- **Direct Cost**
 - Interest
 - Fees
- **Opportunity Cost**
 - Value of the benefits you are forgoing to repay the debt (*e.g., the interest you are losing*)

You should always be mindful of both “costs”
when borrowing money!

Don't focus solely on the DIRECT cost.

So what should you do ...



... when “*mapping your course*”
financially for law school?

Should you borrow a private loan?

You have the right to do so, BUT:

- You will lose the **choice, flexibility** and **safety** provided by federal student loans including the **income-driven repayment (IDR) plans**.
- You may lower the **direct cost**, but will increase the **opportunity cost** (*likely will have to and/or want to repay the private loan faster, and therefore, have a higher monthly payment to qualify for the lower interest rate*).

As such, you may be giving up more than you are gaining if you borrow a private loan – so exercise caution – be fully informed – **evaluate ALL the differences!**

Should you pay the accruing interest while in school?

*Interest on unsubsidized federal loans accrues as **SIMPLE** interest while in school!*

- It is **NOT** compounding while you are in school!
- Interest that accrues while you are in school “**capitalizes**” (*i.e., is added to the principal*) when loan(s) enter/re-enter repayment.

Therefore, it's better to reduce the amount you are borrowing rather than paying the accruing interest if you find you have “extra” funds while in school!

Should you borrow the minimum amount possible?

YES, but:

- Differentiate between **NEEDS** and **WANTS**.
- Borrow only what you **NEED** to achieve your goal(s).
- Understand what financial aid is intended to cover—*will it be enough to achieve your ultimate goal?*
- Consider all costs you'll incur to achieve your goal(s).
 - How will you cover your living expenses during non-enrollment periods (e.g., summer breaks)?
 - How will you pay for your Bar Exam expenses?

Make the most of your investment!

- Study hard
- Plan your budget/spending wisely
- Borrow the *minimum* amount to achieve your goals

“RIGHT”

If you do so, this “**educational mortgage**” should not prevent you from:

- pursuing your desired career, and
- achieving your personal and financial goals.

WHAT TYPES OF FUNDING ARE AVAILABLE?

Primary Funding Sources

**Scholarships
and Grants**

Loans

Scholarships and Grants

- Sources:
 - Law school
 - Private organizations/associations
- What you need to know:
 - Application process and deadlines
 - Eligibility requirements (*e.g.*, “*merit*” vs. “*need*”)
 - Renewal requirements

Loans

- Sources:
 - **U.S. Department of Education**
 - **Direct Unsubsidized Loan (Stafford)**
 - **Direct PLUS Loan (Grad PLUS)**
 - *Private lenders*
 - *School you attend*
 - *Family and friends*
- What you need to know:
 - **Use Federal Direct Loans!**

Federal Direct Loans

Terms	Direct Unsubsidized Loan	Direct Grad Plus Loan
Annual loan limit	\$20,500	COA minus all other financial aid
Aggregate limit	\$138,500	None
Credit criteria	None	Cannot have adverse credit

NOTE: These loans are **unsubsidized** and that means interest begins accruing when the funds are disbursed as **SIMPLE** interest.

Federal Grad PLUS Loan

Adverse Credit History Criteria

- Currently 90 days or more delinquent on repayment of any debt exceeding total of \$2,085 on all such accounts (including unpaid collection accounts and charge-offs)
- Debt has been discharged in bankruptcy during the past 5 years
- Evidence of a default, foreclosure, tax lien, repossession, wage garnishment, collection account or write-off of a Title IV debt during the past 5-years

You may apply for a Grad PLUS Loan with an “Endorser” if you have adverse credit.

Federal Direct Loans

Costs: Fees and Interest Rates

Term	Direct Unsubsidized Loan	Direct Grad Plus Loan
Fees (10/1/18 – 9/30/19)	1.062%	4.248%
Rate Structure	Variable rate that becomes FIXED	
Rate Formula	“High yield on 10-year Treasury note” + SPREAD/MARGIN	
Spread/Margin	3.6%	4.6%
Maximum Rate	9.50%	10.50%
Date of 1 st Disbursement	Calculated Rate	
7/1/18 – 6/30/19	6.60%	7.60%
7/1/19 – 6/30/20	6.08%	7.08%

HOW MUCH FUNDING IS AVAILABLE?

Cost of Attendance (COA)

“The Sticker Price!”

- Set by each law school
- Includes “direct costs” as well as living expenses for the academic year
- **Total financial aid cannot exceed COA**
- Not prescriptive
- Individual adjustments may be possible

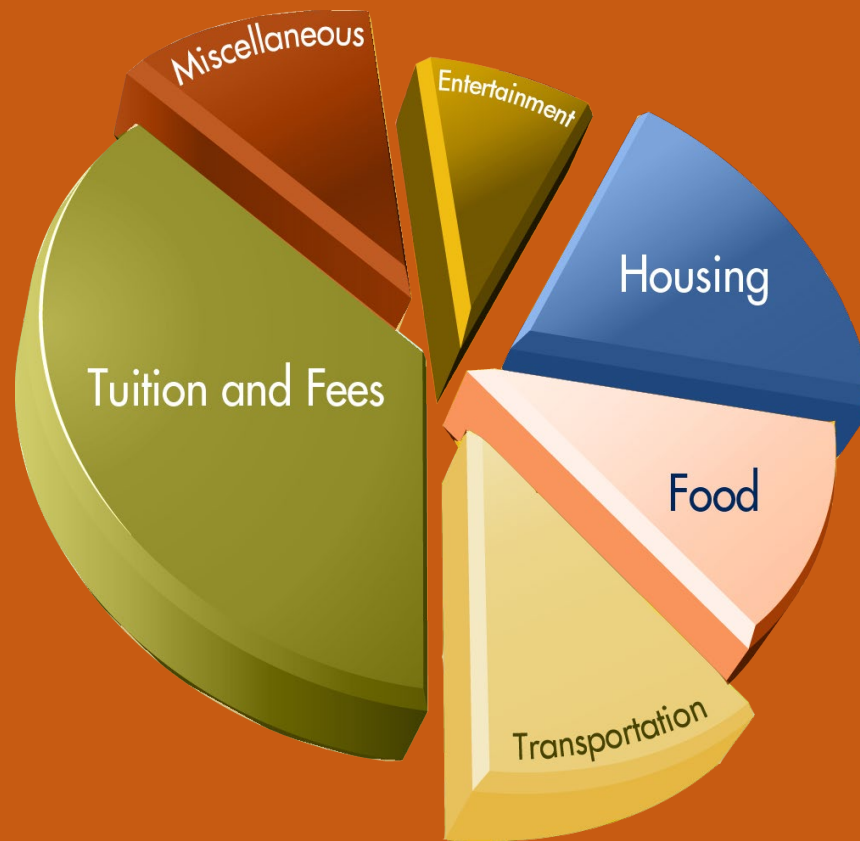
COA Elements
Tuition
Fees
Books and Supplies
Housing
Food
Transportation
Clothing
Misc. Personal Expenses

Other costs to consider ...

The “39-Month Budget”

- Bar results typically are known about 39 months after you begin law school in most states
- Financial aid is only available for 27 of those 39 months (9 months of each academic year)
- How will you pay for the other 12 months of expenses (living expenses, Bar Exam prep costs, relocation, etc.)?
 - *Try not to use credit cards or private Bar Study loans*
 - ***Plan your 39-month budget strategically***

How much will it cost you?



It's all about your choices!

So, what will it cost you?

Item	Amount
Tuition and fees	\$
- Scholarship/grant	\$
= Net tuition/fees	\$
+ Living expenses	\$
NET COST TO YOU	\$

How much can you contribute?

Item	Amount
Savings	\$
Money from family	\$
In-school earnings	\$
Other	\$
YOUR RESOURCES	\$

How much will you need to borrow in student loans?

Item	Amount
YOUR RESOURCES	\$
- NET COST	\$
= BALANCE	\$

If you have a negative balance (e.g., a gap in needed funds), you'll likely need to borrow student loans to fund the gap.

HOW DO YOU APPLY FOR THE FUNDING?

Steps in Applying for Financial Aid

1. Identify all financial aid application requirements and deadlines for each law school you want to attend
2. Complete and submit **“Free Application for Federal Student Aid” (FAFSA)** at: ***FAFSA.gov***
3. Provide any additional application materials requested by the law school
4. Review your “Student Aid Report” (SAR) once FAFSA is processed; submit corrections/updates as needed
5. Review the financial aid notice you receive from the school
6. Apply for loan funding, as needed
7. Apply for privately-funded scholarships/grants

FAFSA

Free Application for Federal Student Aid

- Federal form used to determine your eligibility to receive federal student aid and to calculate your “Expected Family Contribution” (EFC)
- Must be filed every year you need financial aid at:
FAFSA.gov
- **2020–2021 FAFSA** available: **October 1, 2019**
(uses data from your 2018 federal income tax return)



Meet All Deadlines!

**Admission
Application**

FAFSA

**Scholarship
Application(s)**

**Other Financial
Aid Documents**

MINIMIZING DEBT

When borrowing loans ...



... you are spending your
FUTURE INCOME!

Borrow only what you need!

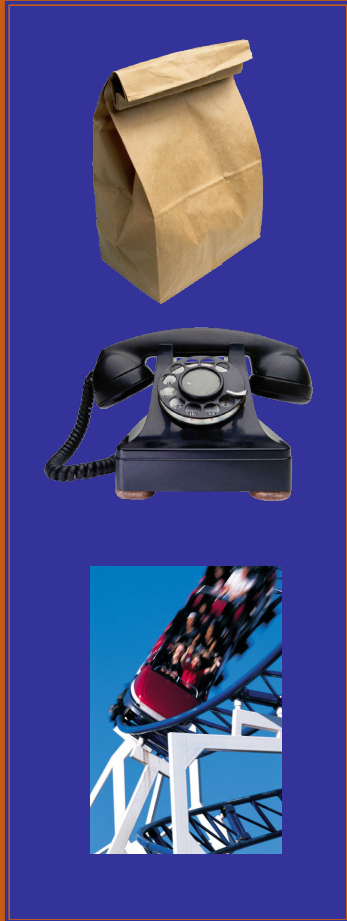
Amount that the Financial Aid Office advises you're eligible to borrow is not prescriptive!

- Determine your budget/spending needs
 - Estimate total cost – *make sure you consider the full “**39-month**” budget*
 - Estimate amount you can contribute
- Borrow only what is needed to cover the difference (*the “gap”*)

To borrow the minimum ...

- “**BYOB**” – Build Your Own Budget
- “**SOS**” – Save on Spending
- Think “**FREE**” when it comes to having fun
- Evaluate “**opportunity costs**”

“Saving on Spending” means making good choices!



Think about your spending, will you:

- Share the cost of housing with one or more roommates **OR** live alone?
- Bring food/beverages from home **OR** buy them at school?
- Shop for new clothes, eat out in restaurants, take vacations or make weekend trips to get away, go to sporting events, etc.? – **YES**
 - **BUT**, be mindful how much you spend on these things—*that money could be saved for your Bar Exam costs*—consider the “**opportunity costs.**”

In summary ...

Prepare financially for law school!

- Save as much as possible
- Start “**living like a law student**” now
- Pay off consumer debts (e.g., credit cards)
- Have funds to pay for expenses you’ll incur before you arrive on campus
- Review your credit report; repair any problems
Get a free copy of your credit report at AnnualCreditReport.com
- Gather information; ask questions

Ask each law school ...

- Are financial aid application forms other than the **FAFSA** required?
- What is the financial aid application deadline?
- What kinds of scholarships/grants do you offer and how is eligibility for them determined?
- Do I need to provide my parents' financial information to be considered for any of your scholarship/grant programs? If so, how do I submit their information to you?

For more information ...

- Law school admission and financial aid staff
- ***LSAC.org***
- U.S. Department of Education
 - ***StudentAid.gov***
 - ***StudentLoans.gov***
 - ***FAFSA.gov***
 - ***NSLDS.ed.gov*** -- *National Student Loan Data System (NSLDS) provides a history/transcript of all the federal student aid you've received in the past including any federal student loans you have borrowed*
 - ***StudentAid.gov/publicservice*** -- *provides information about the "Public Service Loan Forgiveness" (PSLF) Program*
- ***AnnualCreditReport.com***

REMEMBER:

Money is available to help you pay for law school.

But, getting that money requires planning and preparation – so start today!

