

PART 1

A Crash Course in Student Loans

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Introduction

In 2013, student loan debt in the United States surpassed \$1 trillion. That's more than credit card debt or automobile debt—and it's growing faster than any other type of consumer debt.

According to the Institute for College Access and Success, the average undergraduate student at a nonprofit state college or university took on nearly \$30,000 in student loan debt in 2012.¹ That's up from \$18,750 in 2004, an increase of more than 56 percent over the course of eight years. In 2012, 71 percent of college students graduated with student loan debt, up from 65 percent in 2004. And that's just undergraduate students.

When you throw law graduates into the mix, the numbers are even more staggering. According to Law School Transparency, nearly 85 percent of law school graduates take out student loans to fund their legal education.² Law students graduating in 2010 had an average law school debt burden of \$77,634 at public law schools and \$112,007 at private law schools. Furthermore, according to the American Bar Association, in 2012 the average student debt load for public law school graduates was \$84,600, and for private law school graduates it was \$112,158. To be clear, that's just law school debt, and that's just the averages. Because many students who borrow for law school also took out loans to fund their undergraduate education, it's painfully obvious that law students from both public and private law schools are easily graduating with debt burdens exceeding \$100,000—and it's often much more. In the country with the highest levels of student loan debt in the world, law school graduates have some of the worst debt burdens.

Graduating with such extreme levels of student loan debt would be problematic and overwhelming for anyone, but law graduates face unique challenges because of their wildly varied career paths and associated incomes. The public defender or assistant district attorney may start out making less than \$50,000 per year. Here in Massachusetts where I practice, their salaries can be below \$40,000. Repaying \$100,000 in student loans on that salary may seem impossible. The big firm associate or corporate attorney may have a six-figure salary, but he or she will face a different set of challenges and choices in terms of the optimal repayment approach. Meanwhile, small-firm associates, solo practitioners, and contract attorneys will

¹ See The Institute for College Access and Success, Project on Student Debt, available at: <http://ticas.org/posd/home>

² See Law School Transparency, available at: <http://www.lawschooltransparency.com/>

encounter their own student loan repayment problems, given the inherent fluctuations and unpredictability of their income.

I've been helping student loan borrowers for several years in my law practice, and I know that there are minimal resources to help people manage their student debt. It's incredibly easy to *get* student loans—financial aid award packages are neatly organized for you in a professional letter, and all you have to do is fill out some paperwork and sign on the dotted line—but when you leave your educational institution and you're stuck with all that debt, understanding your options and creating a plan can be a mind-boggling undertaking, especially when you're already struggling with tasks like finding a job, studying for the bar exam, or adjusting to a new home or work environment. To make things worse, many student loan servicing companies are bureaucratic behemoths, too large and disorganized to provide the customer service that borrowers need. It can be completely overwhelming to get any straight answers, and too often I see student borrowers—especially attorneys—get into big trouble with their loans simply because they did not understand their rights and options.

There are a lot of books about “tricks” or “secrets” for getting rid of your student loan debt entirely. Sadly, these books are usually filled with bad advice, playing on graduates' desperation to climb out from under their massive debt. This book is based on a hard but important truth: your student loans are probably here to stay, at least for a while, and your best bet is to understand your options so that you can keep them in good standing, avoid nasty consequences, and make progress toward loan freedom (whether that's by paying everything off in full or by getting on track for loan forgiveness programs).

I've designed this handbook to be a concise, easy-to-read guide to help you understand your student loans, how they work, and how you can manage them effectively as a law student and as an attorney. Part 1 is applicable to everyone, whereas Part 2 examines the options available to attorneys in specific career paths. This is not legalese, and this is not a legal practice manual. This is a guidebook. Everyone's situation is different, and everyone's needs are unique, but I hope this book can be a starting point for law students and attorneys who have student loan debt. If you get started down the right path at the beginning, it will just make your life easier.

There is no magic bullet, no button you can press or secret application to make your student loans disappear with the snap of your fingers. But, when armed with solid facts and sound strategies, you can manage your loans effectively and focus on the more enjoyable parts of your life.

With this in mind, let's get started.