
This topic is one of several in Access Group's WiseBorrower® Education Series.

Planning for Loan Repayment After Law School

Dealing with your student loan commitment

Your decision to borrow money to finance your legal education represents an important investment in your future. How well you manage these loans and other personal finances while you're in school will determine how quickly you can achieve your financial and professional goals after you graduate. You can make it easier to deal with this long-term financial obligation by implementing sound debt management practices — both while you are in law school and after.

The following suggestions may be helpful in determining a personal debt management strategy:

- *Estimate your monthly loan payments;*
- *Analyze your income projections;*
- *Evaluate your debt-to-income ratio;*
- *Consider your lifestyle requirements;*
- *Continue effective debt management strategies during repayment;*
- *Consider your repayment options, including loan consolidation; and*
- *Avoid default on student loans.*

Estimate your monthly loan payments

When you begin planning for your financial future, you should first examine your student loan debt and other credit obligations. Although knowing your total indebtedness is important, it is even more critical that you calculate what your monthly loan payments will be, based upon your total debt. After all, it is the monthly loan payment that you must deal with in terms of your budget. The "Calculators" section of our Web site (AccessGroup.Org) can be used to estimate the monthly payment amounts for each of the student loans you have borrowed, regardless of the type of loan or the lender.

Analyze your income projections

Your future income is an important factor in determining what constitutes manageable payments on your student loans. The Career Planning Office at your law school can be a useful resource in obtaining potential starting salary estimates. In addition, it is a good place to obtain valuable career planning information.

The National Association for Law Placement (NALP) also may have helpful salary data for you to consider. The charts on pages 4, 5, and 6 show the range of annual starting

salaries paid to recent law school graduates for full-time employment based on information provided by NALP in its annual “Jobs and J.D.’s: Employment of New Law Graduates” — by class. Survey information on national median salary figures is provided based on employer type, ethnic group, age group, gender, and state of employment. Current salary figures may differ because of inflation or other economic factors.

You also may find the Internet to be a useful tool in researching potential starting salaries in your chosen field. Use a search engine such as *google.com* or *yahoo.com* to search for sites with information about starting salaries. In addition, check out the Web site for any professional organizations that are affiliated with your career/profession.

These Web sites can help get you started.

- www.salary.com
- www.monster.com
- www.jobweb.com
- www.payscale.com
- www.careerbuilder.com
- www.abanet.org (American Bar Association)
- www.nalp.org (National Association for Law Placement)
- www.equaljusticeworks.org (Equal Justice Works, formerly National Association of Public Interest Law)
- www.careers.findlaw.com
- www.lawjobs.com
- www.legalemploy.com

Evaluate your debt-to-income ratio

Once you have estimated your monthly loan payments and have determined a realistic starting salary projection, you are ready to evaluate your debt-to-income ratio (also known as “debt burden”). There are varying opinions about the amount of student loan debt you should incur relative to your projected starting salary. Ultimately, it is your responsibility to determine what percentage of your income you are willing to commit to student loan repayment.

Consider your lifestyle requirements

In addition to considering your potential income while you repay your student loan obligations, it is important to consider the type of lifestyle you wish to maintain. A realistic examination of your individual needs should be made to assure that your lifestyle expectations are consistent with your financial resources and obligations. Students frequently have unrealistic expectations about the type of lifestyle they will be able to afford while repaying student loans.

The difference between your earnings and your expenses (such as taxes, student loan payments, and other credit obligations) is what you'll have available to pay for your lifestyle. When planning for your financial future, it is important to distinguish between what you have to pay for and what you want to pay for.

Start by calculating an out-of-school budget. Be sure to list: basic living expenses, including housing, transportation, food, utilities, and insurance; personal living expenses, including clothing, dependent care, and household goods and furnishings; and miscellaneous expenses, including recreation, entertainment, and interview expenses. Don't forget to include your estimated monthly student loan payments, taxes, and any other credit obligations, such as credit card payments. You also need to invest/save for retirement and other future expenses such as your children's education.

Note: Although you may consider housing something you have to pay for, it does not become an obligation until you've signed a lease or obtained a mortgage. You may find that you cannot afford to meet your lifestyle expectations while repaying your student loans. Consequently, what you can afford to pay for housing and other living expenses will depend upon how much money you have left over after meeting your other financial obligations.

Continue effective debt management strategies during repayment

Debt management should continue after your graduation from law school in order to ensure that you are able to meet your repayment obligations. Your debt management strategy should include:

- *budget planning;*
- *understanding and selecting among the repayment options provided by your loan holder(s)/servicer(s);*
- *understanding and exercising your deferment rights when applicable, and using the forbearance option if necessary;*
- *understanding the advantages and disadvantages of loan consolidation and the repayment options available through loan consolidation; and*
- *tracking your loans and maintaining accurate records to assist you in communicating with your loan holder(s)/servicer(s).*

Consider your repayment options, including loan consolidation

There are alternatives available to lessen the burden of repayment following law school. Through the Federal Loan Consolidation Program, you may reduce your monthly student loan payments by extending the repayment period of your loan. The following information may help you determine whether refinancing your federal loans through federal loan consolidation is right for you.

Advantages:

- *You can make a single monthly payment for all of your federally guaranteed student loans that are included in the consolidation loan.*
- *You can have a lower, more manageable monthly payment.*

- You can realize greater disposable income by retaining more of your monthly income.
- You can lock in the interest rate for the life of loan repayment on any variable interest rate federal loans you may have borrowed.
- During authorized deferments, the U.S. Department of Education may make interest payments on your behalf.
- Delinquent/defaulted borrowers who agree to re-enter repayment through consolidation may be eligible.
- You can avoid potential payment problems and the resulting damage to your credit rating.
- You can still make loan prepayments at any time without penalty.

Disadvantages:

- You will pay more in interest expenses over the course of an extended repayment period. (However, you can reduce the amount of interest paid by prepaying your loan at any time.)
- You may forfeit some of your authorized deferment options available under each of the federally guaranteed education loan programs. Contact your loan holder(s)/servicer(s) for more information.
- You may pay interest at a higher average annual rate.

Avoid default on student loans

Failure to repay student loans can result in seizure of funds held in bank accounts, personal property, and/or income tax refunds. Wages may also be garnished. Student loan default can damage your credit rating and employment opportunities. All student loan defaults are reported to one or more of the three national credit reporting agencies (Equifax, Experian, and TransUnion). If you default on a student loan, it may be difficult to qualify for a subsequent federal student loan until the default is cleared up. If you have defaulted on a student loan within the past seven years, it also may be impossible to receive a private student loan, even if the debt has since been repaid.

Looking ahead

While you may have a clear picture of your educational and professional career goals, it is important to view them in conjunction with a realistic picture of the job market and your financial obligations. By using these strategies, you can effectively manage your educational debt, both while you are in law school and as you pursue your professional career.

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The nonprofit graduate loan specialist

CHART A: Starting Salaries by Employer Type

Employer Type	2002	2003	2004	2005
Academic	\$40,000	\$40,000	\$40,000	\$45,000
Business	\$60,000	\$60,000	\$60,000	\$60,000
Judicial Clerkships	\$42,000	\$42,000	\$43,000	\$45,000
Government	\$42,000	\$43,000	\$45,000	\$46,158
Private Practice	\$90,000	\$80,000	\$80,000	\$85,000
Public Interest	\$36,000	\$37,500	\$38,000	\$40,000
All Types	\$60,000	\$55,000	\$55,033	\$60,000

CHART B: Starting Salaries by Race/Ethnicity

Race/Ethnicity	2002	2003	2004	2005
Caucasian	\$57,500	\$55,000	\$55,000	\$58,000
Asian/Pacific Islander	\$84,500	\$70,000	\$72,000	\$75,000
African/African-American	\$55,000	\$55,000	\$55,000	\$55,000
Hispanic	see note 1	see note 1	see note 1	see note 1
Other Hispanic	\$55,000	\$55,000	\$53,050	\$60,000
Latino	\$50,000	\$50,000	\$52,500	\$60,000
East Indian/Pakistani	\$70,000	\$60,000	\$65,000	\$70,000
Native American	\$50,000	\$48,000	\$53,500	\$55,000
Multi-Racial	\$60,000	\$59,250	\$55,000	\$52,000
All Types	\$60,000	\$55,000	\$55,033	\$60,000

1: As an ethnic group, hispanics may be of any race; in these analyses, they are counted once in the latino or other hispanic category.

CHART C: Starting Salaries by Gender and Age at Graduation

Age at Graduation	Men				Women			
	2002	2003	2004	2005	2002	2003	2004	2005
20 to 25	\$60,000	\$58,000	\$55,750	\$60,000	\$55,000	\$52,000	\$52,200	\$55,000
26 to 30	\$60,000	\$55,000	\$58,000	\$60,000	\$55,000	\$52,035	\$55,000	\$56,000
31 to 35	\$60,000	\$60,000	\$63,000	\$68,000	\$52,000	\$52,000	\$55,000	\$60,000
36 to 40	\$64,500	\$65,000	\$70,000	\$70,000	\$55,000	\$50,000	\$52,734	\$55,000
41 to 45	\$62,500	\$65,000	\$63,000	\$69,000	\$50,000	\$53,500	\$50,000	\$55,600
46+	\$58,000	\$61,068	\$65,000	\$75,000	\$52,166	\$55,000	\$55,000	\$59,000
All	\$60,000	\$60,000	\$60,000	\$62,400	\$55,000	\$52,500	\$55,000	\$55,000

All information on starting salaries is from *Jobs & J.D.'s: Employment & Salaries of New Law Graduates*, Classes of 2002–2005, published by the National Association for Law Placement (NALP) and used with permission of NALP. The median salaries of some groups may be calculated based upon relatively few respondents, though still representative. Medians are based on full-time jobs only. Figures for Chart D are based on all full-time jobs, not just legal or law-related topics.

CHART D: Starting Salaries by State

State	2002		2003		2004		2005	
	# of Salaries Reported	Median Salary	# of Salaries Reported	Median Salary	# of Salaries Reported	Median Salary	# of Salaries Reported	Median Salary
AK	48	\$40,000	53	\$41,412	51	\$41,000	56	\$41,456
AL	167	\$46,469	198	\$50,000	189	\$50,000	203	\$55,000
AR	45	\$40,000	48	\$42,750	55	\$48,000	122	\$42,000
AZ	249	\$50,000	230	\$51,011	270	\$51,000	294	\$57,500
CA	2,287	\$90,000	2,124	\$72,800	2,135	\$75,000	2,415	\$80,000
CO	210	\$45,000	223	\$50,000	205	\$50,000	268	\$52,000
CT	269	\$60,000	256	\$50,605	241	\$52,650	265	\$55,000
DC	1,326	\$110,000	1,202	\$85,000	1,204	\$75,000	1,364	\$90,000
DE	103	\$50,035	93	\$60,000	111	\$78,000	125	\$65,000
FL	1,006	\$45,000	975	\$45,000	1,094	\$48,012	1,178	\$50,000
GA	564	\$67,000	503	\$65,000	557	\$65,000	595	\$70,000
HI	68	\$43,430	67	\$45,000	63	\$45,000	81	\$48,000
IA	116	\$42,900	84	\$41,500	116	\$45,000	130	\$45,000
ID	70	\$38,000	71	\$38,000	74	\$400,000	71	\$40,000
IL	1,184	\$72,500	1,144	\$65,000	1,222	\$65,000	1,246	\$70,000
IN	211	\$48,000	237	\$50,000	211	\$55,000	260	\$52,000
KS	93	\$41,000	82	\$43,000	122	\$43,000	117	\$47,000
KY	166	\$40,000	171	\$40,000	201	\$41,700	212	\$40,000
LA	232	\$48,000	235	\$48,000	303	\$50,000	183	\$50,541
MA	686	\$80,000	622	\$65,000	626	\$58,000	759	\$62,000
MD	380	\$40,000	344	\$42,000	456	\$45,000	447	\$45,000
ME	54	\$40,000	38	\$40,900	46	\$40,000	68	\$46,500
MI	327	\$50,000	337	\$50,000	352	\$53,619	326	\$54,000
MN	413	\$46,000	423	\$49,527	376	\$50,000	526	\$50,000
MO	402	\$50,000	393	\$50,000	408	\$51,125	327	\$52,000
MS	168	\$45,393	162	\$48,000	162	\$54,500	148	\$50,400

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CHART D (continued): Starting Salaries by State

State	2002		2003		2004		2005	
	# of Salaries Reported	Median Salary	# of Salaries Reported	Median Salary	# of Salaries Reported	Median Salary	# of Salaries Reported	Median Salary
MT	42	\$37,000	51	\$37,400	65	\$40,000	61	\$40,000
NC	293	\$48,000	303	\$47,110	267	\$50,541	273	\$53,000
ND	20	\$39,888	28	\$40,000	25	\$40,000	18	\$41,900
NE	105	\$42,000	92	\$47,980	98	\$43,500	95	\$50,000
NH	64	\$40,000	51	\$43,000	58	\$43,000	67	\$45,000
NJ	708	\$40,000	652	\$38,250	201	\$42,000	669	\$44,500
NM	79	\$40,000	97	\$43,500	80	\$45,000	86	\$48,250
NV	176	\$54,000	109	\$55,000	185	\$55,000	215	\$60,000
NY	3,145	\$125,000	2,668	\$125,000	2,750	\$100,000	3,021	\$120,000
OH	625	\$53,000	589	\$55,000	597	\$60,000	643	\$60,000
OK	130	\$41,500	122	\$45,000	148	\$41,500	136	\$45,000
OR	138	\$44,000	187	\$45,000	185	\$46,836	224	\$46,723
PA	826	\$52,500	757	\$50,000	815	\$50,898	880	\$55,000
RI	42	\$41,000	35	\$40,000	52	\$40,000	62	\$45,000
SC	168	\$44,500	182	\$45,000	177	\$45,000	201	\$48,000
SD	40	\$36,168	29	\$37,000	32	\$40,000	24	\$45,125
TN	208	\$45,285	204	\$50,000	218	\$51,000	260	\$50,541
TX	1,287	\$70,000	1,365	\$65,000	990	\$68,000	1,296	\$70,000
UT	133	\$50,000	122	\$59,500	143	\$58,000	157	\$63,000
VA	443	\$46,000	468	\$50,000	507	\$50,593	533	\$53,000
VT	25	\$35,000	36	\$35,000	36	\$35,000	34	\$40,000
WA	292	\$50,000	266	\$48,000	296	\$50,809	248	\$52,000
WI	261	\$45,000	232	\$45,000	212	\$49,950	229	\$51,000
WV	92	\$42,000	117	\$45,000	70	\$50,000	103	\$44,563
WY	23	\$38,400	34	\$40,000	41	\$40,000	31	\$45,000

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