



Determine How Much You Should Borrow

When it comes to paying for law school, there are many things to consider. Yearly tuition is but one factor that will determine how much to borrow. Books, fees, room and board, and living expenses must also be accounted for. This is not an exhaustive list. There are many hidden expenses that should be added to your budget. And that's the key word here: budget. It is crucial to plan a budget even before choosing which schools to apply to. Prospective law students must look at their options realistically. Sure, it would be nice to earn a law degree from Columbia University, but can you afford to live in New York for three years? It is possible with the help of lots of private loans. But those loans must be paid back, and the last thing anyone would want is a student loan debt twice his/her starting salary. Thus, it is important to factor in the average cost of living of the city where the law school is located. A lifestyle change will most likely be necessary. Just because you dine out four times a week does not mean you'll be doing so as a student. Having a \$30 meal each week might seem like no big deal now, but over a semester, it will cost you \$450. And trust me, that \$450 will definitely come in handy down the road. Rather than buying coffee every morning, make coffee at home and bring a thermos to class. Penny-pinching as a student could potentially save you thousands in student loans.

The first step towards determining how much you should borrow is to list the financial resources you already have. This can include non-loan financial aid (such as grants and scholarships), income, savings, help from family and friends, and any other sources (say, the piggy bank you've had since third grade). Be sure to calculate your financial resources yearly. For example, your savings may only cover books for two years, while grandma is willing to write you a check every summer to cover rent. The more meticulous you are about the funds you have now, the less you'll have to borrow (and the less you'll owe).

Next, identify your expenses. This can be a daunting task, as you can't predict the future. Estimates are fine. But don't over-budget. Factor in only direct education expenses and living expenses. Examples of direct education expenses include tuition, fees, books, and supplies. Most, if not all, law school websites have a breakdown of the cost of attendance. You can also refer to the school's financial aid office for tips and advice on planning a budget. Examples of living expenses are mortgage or rent, utilities, food, transportation, insurance, entertainment, and personal expenses.

Once you have a rough estimate of the money coming in and the money going out, you'll be able to calculate how much you'll need to borrow. Once you determine how much you'll need to borrow, the first thing to do is look into federal loans. Federal loans have low interest rates and benefits such as interest subsidies. Federal loans can also be deferred while in school and have attractive repayment options. Plus, you can consolidate federal loans to get a fixed interest rate, which can save you money. Once you've exhausted your federal aid options, you can look into private loans. However, if a federal loan meets your financial needs, then do not be tempted to borrow more. The loans you take out should only be enough to cover the difference between the money coming in and the money going out.



To put all this into perspective, let's look at a case study:

Tom H. from Seattle, WA, has been accepted to Emory University School of Law and University of North Carolina at Chapel Hill School of Law. Here are his financial resources:

Income: \$0.00
Savings: \$5,000
Help from Family and Friends: \$5,000 (per year)
Grants/Scholarships: \$3,000 (per year)

The projected cost of attendance this upcoming year (including tuition, fees, rent, and books) for Emory Law is \$50,062 and for UNC Law is \$37,474. Tom's budget for personal expenses is approximately \$3,000 (per nine-month school year). The breakdown is as follows:

	UNC	Emory
Cost:	\$40,474	\$53,062
Funds:	\$9,600	\$9,600
Loans:	\$30,874	\$43,462

As we can see, even using a conservative budget for living expenses, Tom must borrow tens of thousands of dollars each year. Federal Stafford Loans will cover \$18,500 each year. If Tom borrows the maximum Perkins Loans each year (\$6,000), he will still need to find about \$6,500 in private loans each year should he choose to attend UNC or about \$19,000 in private loans each year should he choose to attend Emory.

There is virtually no way to avoid borrowing (unless you receive a full scholarship or benevolent-and-wealthy-Aunt Tiddy cuts you a check). But creating a budget will help you borrow less.