



## Federal Financial Aid

As an undergraduate student thinking about law school, or a current law school student, you may sometimes feel like funding your education is an impossible task.

Let's face it: Law school is very expensive; and unless you are independently wealthy, you may need to find creative ways to pay for your education. However, don't despair! You have several options. Unless you have spoken to your school's financial aid office or have a savvy parent or sibling, you might not know about programs designed to help you pay for your education. The following is a general description of the major resources available for funding your education.

Every year, students across the country apply for and receive federal financial aid. According to the U.S. Department of Education's website, \$67 billion of financial aid will be provided this year by the Department of Education to help millions of students finance their postsecondary education. The most common type of federal education loan is a Stafford loan. Stafford loans may be issued directly from the government to the student; or they may be issued by a private lender, such as a bank or credit union, belonging to the Federal Family Education Loan Program (FFELP). Either way, these loans are guaranteed against default by the federal government.

In order to receive a federal loan, you must fill out a FAFSA (Free Application for Federal Student Aid), which you may find online or through your school's financial aid office. You must also meet the federal government's eligibility requirements. Some of the requirements are that you must be a U.S. citizen or permanent resident, you must be enrolled at least half-time and be pursuing a degree or certificate, and you must maintain satisfactory academic progress.

Something else to remember about Stafford loans is that they may be subsidized or unsubsidized. If you are eligible for a subsidized Stafford loan, the government will pay the interest while you are in school. Subsidized Stafford loans are generally given to students who can demonstrate financial need. If you receive an unsubsidized Stafford loan, you will be responsible for paying all of the interest, although you may have the payments deferred until after graduation. To qualify for an unsubsidized Stafford loan, you do not need to demonstrate financial need.

The amount of your Stafford loan will vary depending on your year in school. However, graduate students may borrow up to \$20,500 each year with a combined limit for graduate and undergraduate federal loans of \$65,500 for dependent students. Stafford loans have variable interest rates, and this interest rate is adjusted each year on July 1. All lenders offer the same base rate for Stafford loans because the interest rate is predetermined by the government, although many lenders offer payment incentives and/or discounts to help you reduce your interest rate further.

Students who use Stafford loans to finance their education will also enjoy a six-month grace period before they begin repaying their loans. The grace period starts upon graduation or any time the student's



enrollment status drops to below half-time enrollment. During this grace period, no payments for interest or principal are required. Additionally, in times of financial difficulty, students may be able to defer their payments or apply for a period of forbearance until their situation improves. Federal loans generally qualify for up to three years of forbearance over the life of the loan.

Private student loans have many differences from federal student loans. However, if used properly, they may also be an effective tool for education funding. Private education loans are issued by lenders such as banks and credit unions. They are regulated but not guaranteed by the federal government.

The main difference between federal loans and private loans is that private loans are credit-based. This means that your eligibility is determined by your credit rating or anticipated ability to repay the loan. Requirements do vary by lender, but most private lenders will allow you to use a cosigner or co-borrower to qualify for a private loan. Furthermore, private lenders may require proof of income from the student or a cosigner before the student is approved for a loan.

Another difference between federal and private student loans is the interest rates. Generally, private loans will have a slightly higher interest rate than federal loans, and the student's or cosigner's credit score may have an effect on the interest rate. Many private lenders start at a prime interest rate and then add a margin depending on the credit score. If the borrower does not have good credit, the interest rate will be higher.

Your school may also offer some type of institutional funds, such as scholarships, grants, or work-study programs. You should discuss these options with your school's financial aid staff. To qualify for most institutional funds, however, you may need to demonstrate financial need. As a law student, you should also look into opportunities for paid internships to help with your finances and provide you with valuable experience.

Another financing option is through the use of personal assets, such as 401(k) plans, stock portfolios, savings accounts, and IRAs. Using assets offers a debt-free option for funding your education. Before you liquidate an asset, though, you should weight the potential earnings against the fees, penalties, and interest associated with a student loan. You may find you are better off keeping your assets. Guaranteed loans are to some extent insured; but once a student or parent releases his or her personal assets, they're gone forever.

In a crisis, you may need to use your credit cards for some of your education financing needs. This is never the best option for parents or students and should only be considered when there are no other, less expensive ways to pay. Because the interest on credit card debt is generally much higher than on other types of debt, using your credit cards should only be a last resort.

Although paying for law school may seem at times to be overwhelming or impossible, there are many programs available to help with your education expenses. Through institutional, private, and federal funding, as well as using assets and other forms of credit, you can find ways to finance your education and fulfill your dreams of becoming an attorney.