LAW SCHOOL LOANS
Lender Code: 834241
America's Top Law School Lender

Volume I, Issue 2
March 23, 2006

NEWSLETTER

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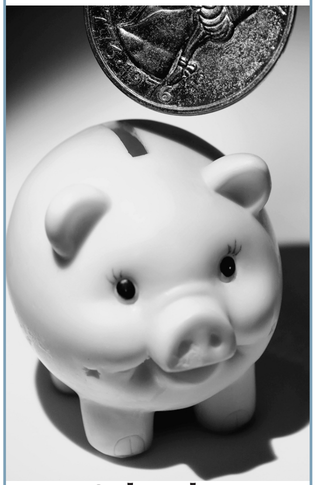

Law School Loans

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THE ID THIEF UNDER YOUR ROOF - DAYANA YOCHIM

Brian Boucher was looking for a roommate to share his one-bedroom apartment, so he did what many modern-day housing hunters do — he posted an ad on Craigslist.org.

Seeking roommate for one-bedroom in Washington Heights. It's a bit small for two but I have to catch up on some bills... A little more than half of the $950 rent gets you the privacy of the bedroom.

John "Don" Williams — a soft-spoken 50-ish ghostwriter from California — responded to Boucher's post and soon after moved into the fourth-floor apartment. He paid the rent on time, kept to himself, traveled frequently, and was friendly with Boucher's two cats.

According to Boucher's account, grippingly told in the Feb. 6 issue of *New York Magazine*, Don disappeared in June 2004 and was missing for four weeks. Worried, Boucher started nosing around.

It turns out he wasn't the only one at the 186th Street apartment snooping. In Williams' room, he found a manila folder crammed with personal detritus — *Boucher's* detritus.

There were torn up pre-approved credit card offers picked from the trash and the name and phone number from a girl Boucher had met at a party. A handwritten list ticked off all of Boucher's vitals — names, addresses, and phone numbers of family members; his mother's maiden name and dates of his parent's marriage; information from a pay stub; and sign-in names and passwords to websites he had visited. And there was an ID with Williams' picture. But the name was different — it was "Dino Loren Smith."

Boucher logged onto the PI database of the masses — Google — where in a matter of moments he found his lodger's mug shot on the *America's Most Wanted* website.

Dino Loren Smith was wanted for questioning in San Francisco's biggest jewel heist. It had taken place four months before he moved into the WashingtonHeights flat with Boucher.

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FEDERAL STUDENT LOANS VS. PRIVATE STUDENT LOANS

These days, there are very few students who can afford to pay for college without some form of education financing. Two-thirds of undergraduate students have some debt, and 88% of law students need to borrow to finance their education. Law school students may graduate with an average of $80,000 in student loans. Typically, law school students have acquired both federal and private debt, but what are the differences between these types of loans? And is one better than the other? Read on for an explanation of both categories of student loans.

Many students rely on federal student loans to help finance their education. The most common federal loan is a Stafford Loan. These 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.

Something else to remember about Stafford Loans is 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. If you choose to defer paying the interest until after graduation, the interest will be capitalized, or added to the loan amount. To qualify for an unsubsidized Stafford Loan, you do not need to demonstrate financial need.

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Although the market for student loan services is extremely broad, our company has chosen to focus on one elite niche: We cater to the particular needs of law students and graduates. On average, a juris doctorate student will have around $100,000 in student loans by the time he or she graduates - a much larger amount than many other kinds of graduate students. A J.D. will also often have questions that only someone with a legal background would think to ask. Established and run by attorneys, Law School Loans is prepared to fulfill the needs of law school graduates at every level. We invite you to visit us at www.LawSchoolLoans.com.

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The amount of your Stafford Loan will vary depending on your year in school. However, graduate students may borrow up to $18,500 each year (with $8,500 being subsidized) with a combined limit for graduate and undergraduate federal loans of $65,500 for dependent students. If you are an independent student, the cumulative limit you may borrow is $138,500 for your graduate and undergraduate studies.

Stafford Loans have variable interest rates, based on the 91-day T-bill, and this interest rate is adjusted each year on July 1. Stafford Loans have an interest rate cap of 8.25%. All lenders offer the same base rate for Stafford loans because the interest rate is pre-determined by the government, although many lenders offer payment incentives and/or discounts to help you reduce your interest rate further. Another benefit of federal loans is you may lock in a fixed interest rate if you choose to consolidate your federal student loans. That way, you will not be affected by adjustments in the interest rate each year.

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. 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 two 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 effective tools for education funding. Private education loans are issued by lenders such as banks and credit unions. They are regulated by the federal government, but there are no guarantees against default.

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. 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.

The amount you may receive from a private lender also varies. Oftentimes, the loan amount is based on an amount set by your school. However, some private lenders set their own limits and allow students to use the funds for whatever financial needs the student may have. This includes housing, transportation, purchasing a computer, tuition, etc.

Another difference between federal and private student loans is in interest rates. Generally, private loans will have a higher interest rate than federal loans, and the interest rate for private loans will always be variable, even after consolidation. Also, 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.

Repayment plans also differ by lender for private loans. However, private lenders may not offer benefits such as forbearance or deferment in times of financial hardship. They also may not offer a grace period, and some private lenders require that the interest payments be made while the student is in school, although most lenders have repayment options to allow deferment of the principal until the student graduates. Also, like federal loans, the repayment term is often 10 or more years for private education loans.

If you are a student, plan to become a student, or are a parent of a student, it is important for you to understand your education-funding options. Private and federal loans may be effectively used in combination to fill in the financial gaps. Regardless of the type of loan you use, remember that it is not free money and it must be repaid. Choose your lender carefully, and weigh your options. After all, you will likely be repaying your education loans for many years to come.

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SLEEPING WITH THE ENEMY

Despite the emotional turmoil and having to testify against his former roommate in court, Boucher was lucky. No unauthorized charges appeared on his cards. No new accounts were opened in his name. He dodged the drawn-out ordeal so many identity fraud victims face. It takes some people years and thousands of dollars to clear their name and credit track record. At worst, they are denied insurance and jobs, and some are even arrested for crimes they did not commit.

As dramatic as was Boucher's brush with potential identity fraud (the title of the *New York Magazine* expose is, after all, "My Roommate, The Diamond Thief"), the particulars of the violation are not that uncommon. Surveys show that one-quarter to one-half of all identity fraud victims know, or are related to, the culprit.

Family members, friends, housemates, and in-home employees have easy access to

all the necessary documents and can keep a close eye on their mark (often, the elderly). Work acquaintances

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can poke around your desk after office hours without raising eyebrows. Worse yet, many parents "borrow" their child's Social Security number and other vitals to commit fraud.

It may feel weird to narc on someone with the same last name as yours, but shared DNA doesn't give anyone the right to rip off a loved one. The Identity Theft Resource Center offers guidelines to victims who know the perpetrator.

It's not just those with shared DNA or addresses who commit this crime or put you in danger of becoming a victim. Anyone who can legally make a case to pull your credit file is a potential culprit. Banks, credit card companies, mortgage lenders, insurers, car financiers — all have a "permissible purpose" and "legitimate business need" to access consumer credit records.

Such widespread access has made identity fraud the fastest-growing crime, according to the Federal Trade Commission. It affects approximately 10 million Americans each year at a cost of more than $50 billion, mostly to duped businesses.

GOOD COP, BAD COP, WORST COP

The headlines have been coming fast and furious: E-thieves have targeted a wide swath of databases, everything from the New Hampshire Department of Motor Vehicles to **BJ's Wholesale Club** (NYSE: BJ) to Anglo-Dutch information provider **Reed Elsevier's** (NYSE: ENL) LexisNexis. Just as **DSW** (NYSE: DSW) was about to go public last June, hackers broke in and swiped credit card transaction information for 1.4 million of the shoe retailer's customers.

It's one thing to be targeted by ne'er-do-wells. It's quite another to practically invite them to the data-sharing party. Companies that consumers trust to guard their sensitive data have repeatedly put that information at peril. **Marriott** (NYSE: MAR), *Motley Fool Stock Advisor* pick **Time Warner** (NYSE: TWX), and *Motley Fool Income Investor* pick **Bank of America** (NYSE: BAC) have all reported that they misplaced back-up tapes containing information on millions of customers and employees. (Imagine that particular "lost and found" posting on Craigslist.) **H&R Block** (NYSE: HRB) printed Social Security numbers on labels of a free tax preparation software promotional mailing.

Just last month, the FTC imposed the largest civil penalty in its history against data warehouser **ChoicePoint** (NYSE: CPS), which recklessly let unqualified subscribers (some clearly questionable) gain access to consumer information.
The personal financial records of 163,000 consumers were breached, and more than 700 instances of fraud and identity theft resulted. ChoicePoint is now required to adhere to strict security procedures and will be audited by an independent third-party security professional every other year for the next two decades.

CASTING CALL

It'll be 2029 before Dino Loren Smith has a crack at anyone else's data. On Nov. 10, Smith was sentenced to 23 years in prison for robbery, burglary, false imprisonment, and conspiracy.

The drama of Smith's story was not lost on him. In a journal Boucher found in the bedroom, Dino had already cast the film. He would be played by Denzel Washington. The supporting cast: Laurence Fishburne as Troy (Dino's brother, who is still wanted by the FBI in association with the diamond heist), Angela Bassett as his wife, and Halle Berry in the role of Dino's girlfriend.

Brian Boucher has moved on. Literally. He now lives with a couple and their 5-year-old son whom, ironically, he found through Craigslist.

More on protecting your privacy:

Who Has the Keys to Your Credit File?
Seven Signs That You've Been Hacked
Avoiding Identity Theft
Deter Thieves With Postal Security
Go Phish
Disaster-Proof Your Prized Possessions

Time Warner is a Stock Advisor pick. Bank of America is an Income Investor pick. Take the newsletter(s) of your choice for a 30-day free spin.

In the movie of her life, Dayana Yochim would like to be portrayed by Janeane Garofalo. Ralph Fiennes is invited to play any role he likes. The Fool's disclosure policy is ready for its closeup. Dayana owns none of the companies mentioned in this article.

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