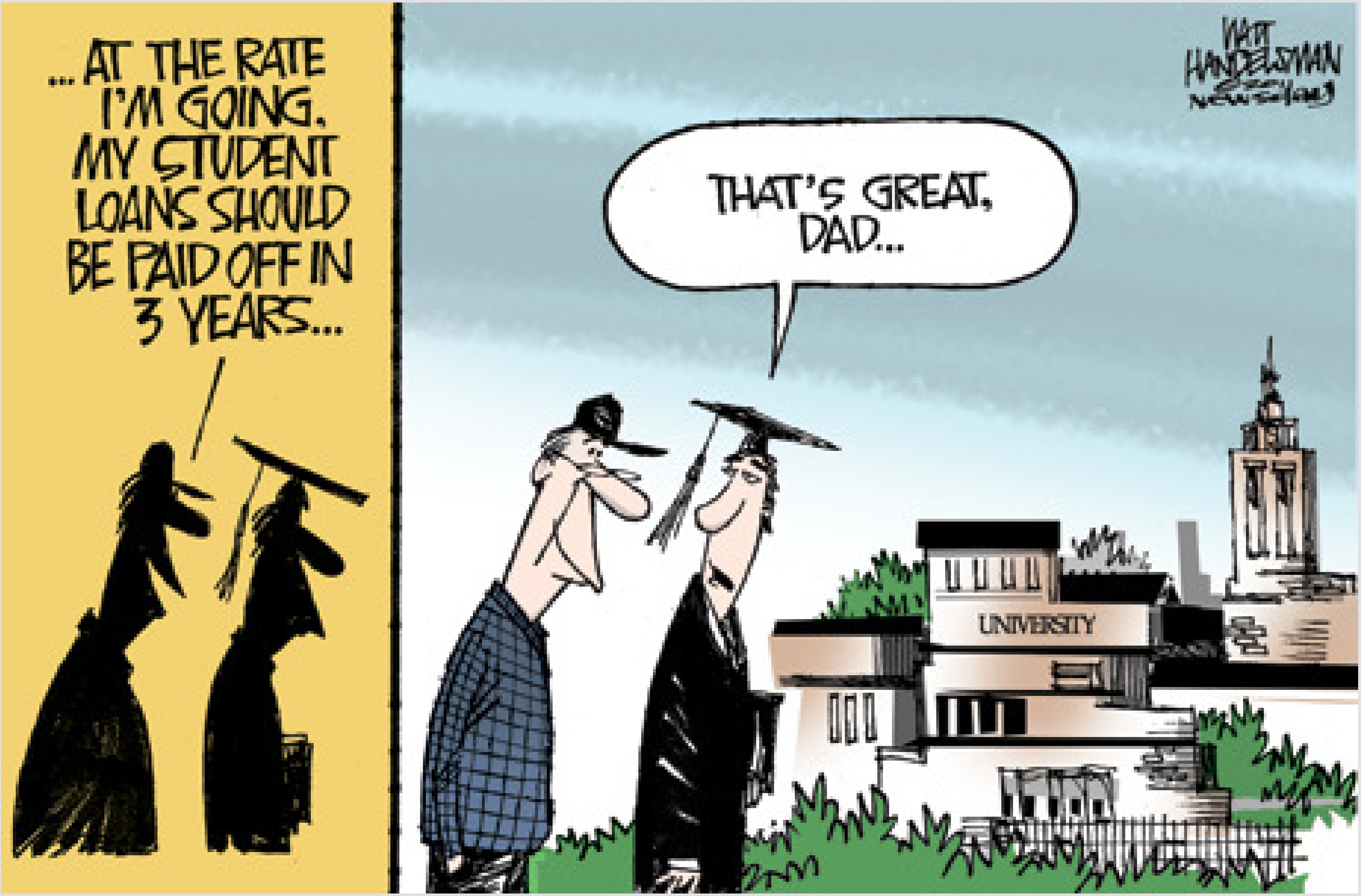
Lighten the Pressure on Your Lawyers with Student Loan Debt:

NALP's Step-by-Step Guide for Law Firms

NALP THE ASSOCIATION FOR LEGAL CAREER PROFESSIONALS

HEATHER JARVIS Student Loan Expert



... AT THE RATE I'M GOING, MY STUDENT LOANS SHOULD BE PAID OFF IN 3 YEARS...
THAT'S GREAT, DAD...
UNIVERSITY
WALT HANDELSMAN

Today's Plan

- Unique concerns for lawyers with student loans
- Trends in student debt
- Assessing the situation
  - Which loans are which and why it matters
- Establishing specific goals
  - Financial goals that make sense for student loan borrowers (and those that make less sense)
- Developing a plan to reach those goals
- Ask Heather

Outstanding student loan debt is now over **$1 trillion**.

An average of **$26,600**, up five-percent from the previous year.

$10.6 billion, $6.3 billion more than in 2000 (adjusted for inflation).

About **two-thirds** of the Class of 2011 borrowed student loans.

Just under **one million** families borrowed a Parent PLUS loan last year, nearly twice as many as in 2000.

A typical law student borrows $75,728 to attend a public law school, or $124,950 to attend a private one.

ABA Section on Legal Education, Class of 2011

Principles of Financial Planning

- Begin by assessing the current situation
- Establish specific goals
- Develop a plan to reach those goals

Assessing the current situation

Federal student loans

Private student loans

Commercial, private, alternative loans

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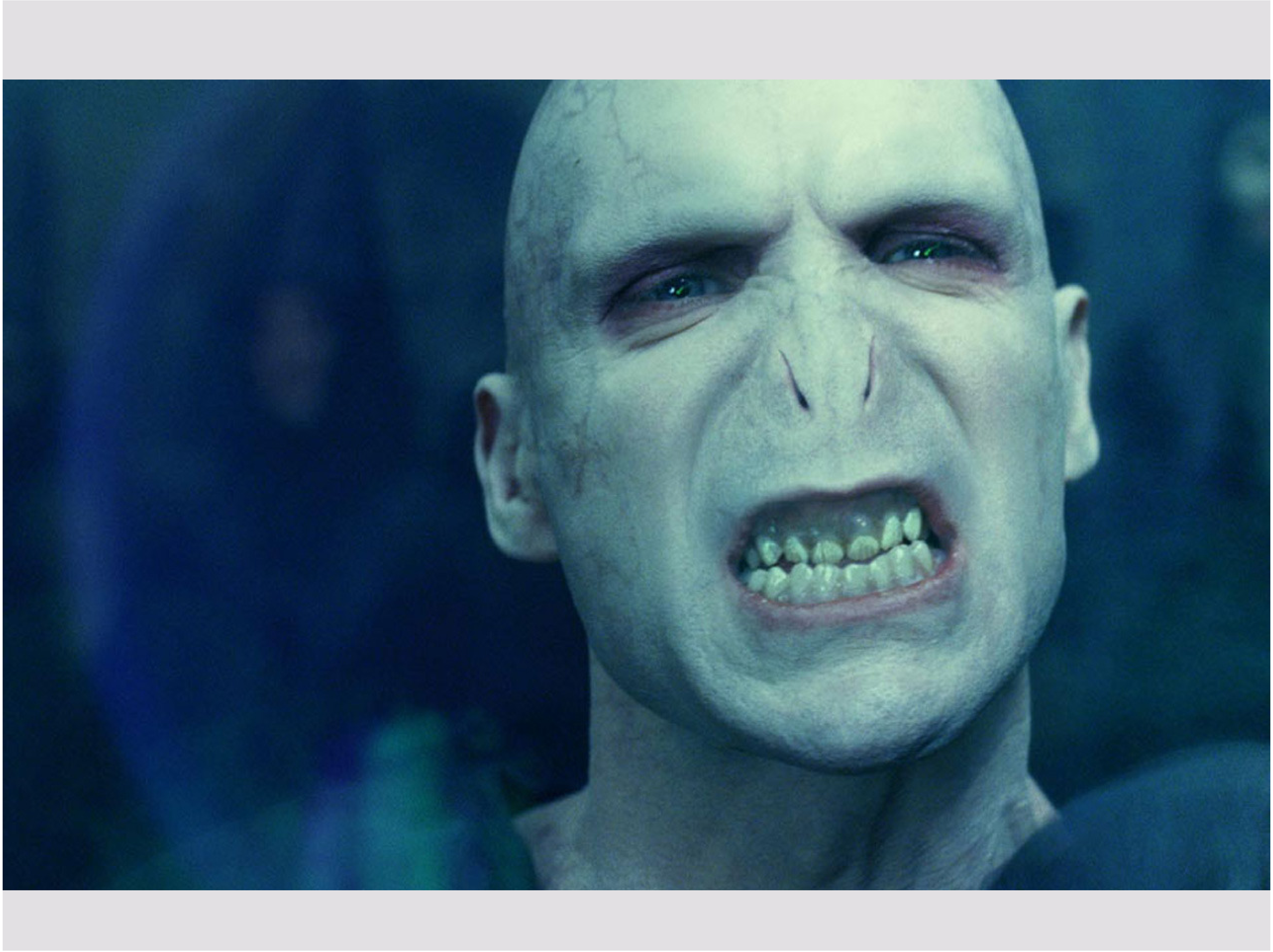
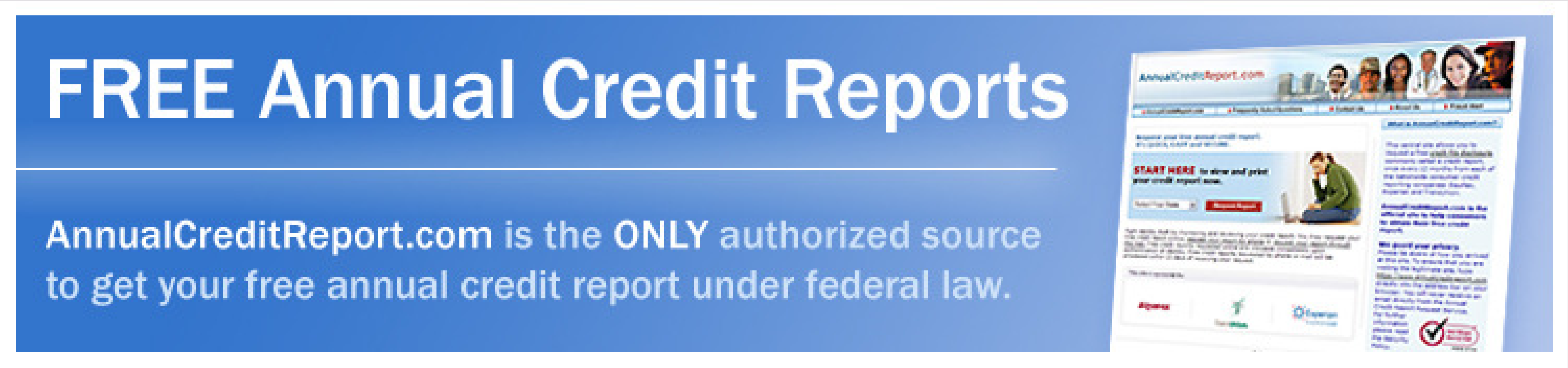
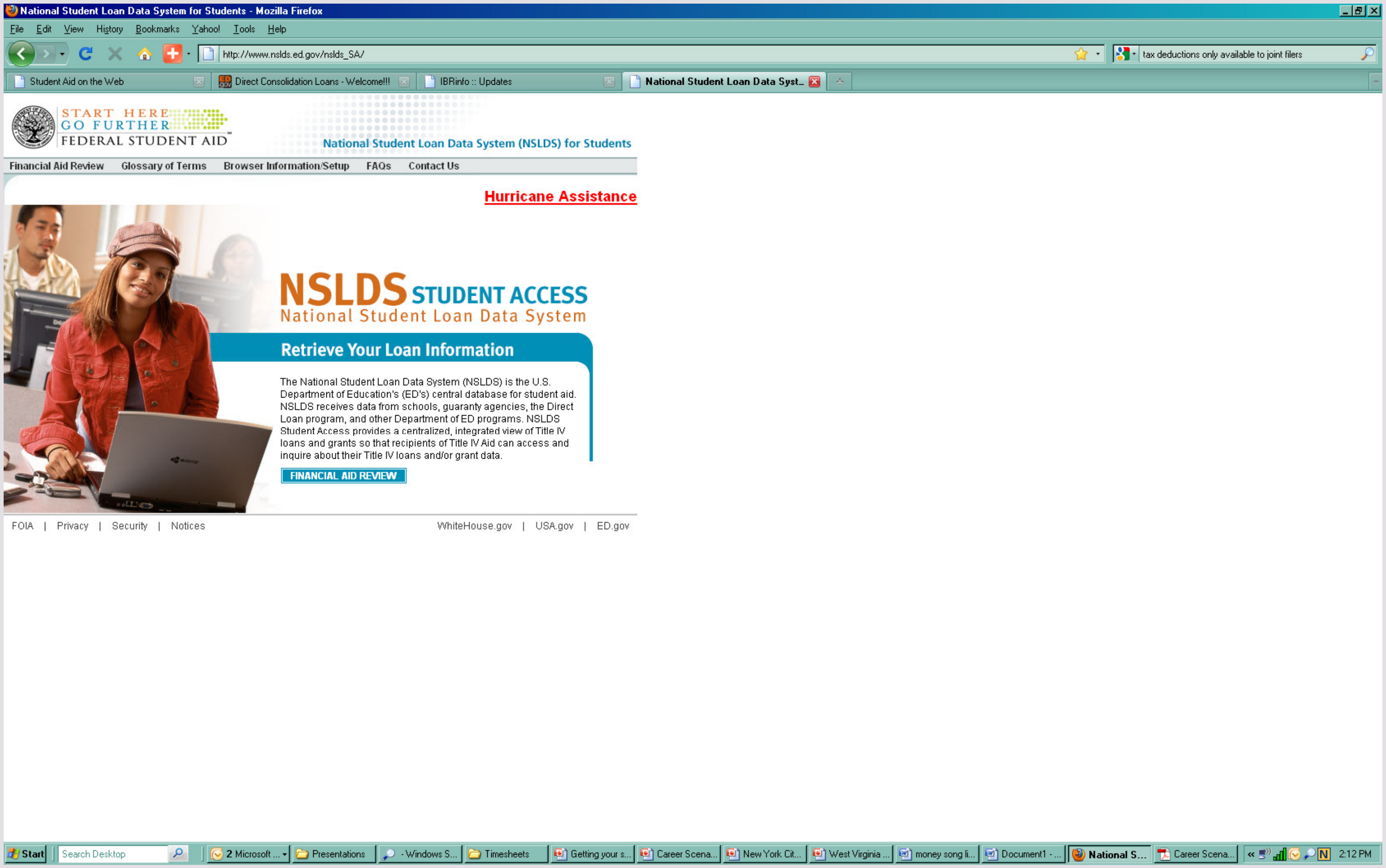
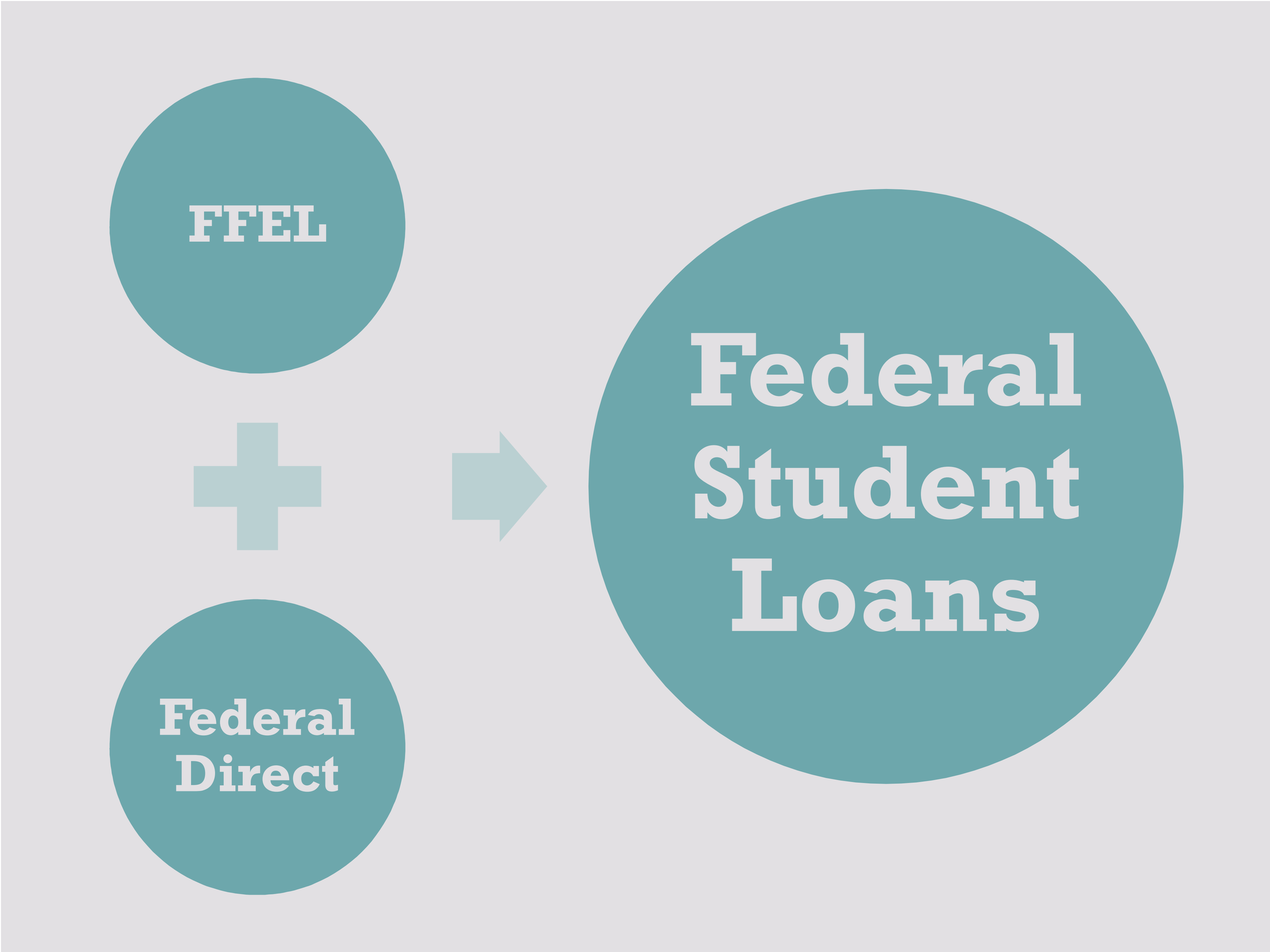


annualcreditreport.com



www.nslds.ed.gov




FFEL
Federal Direct
Federal Student Loans

Specific Goals for Student Loan Borrowers

1. Protection from the impact of unfortunate events

Known as "risk management"

2. Minimizing the cost of debt

3. Focus on steps that build net worth

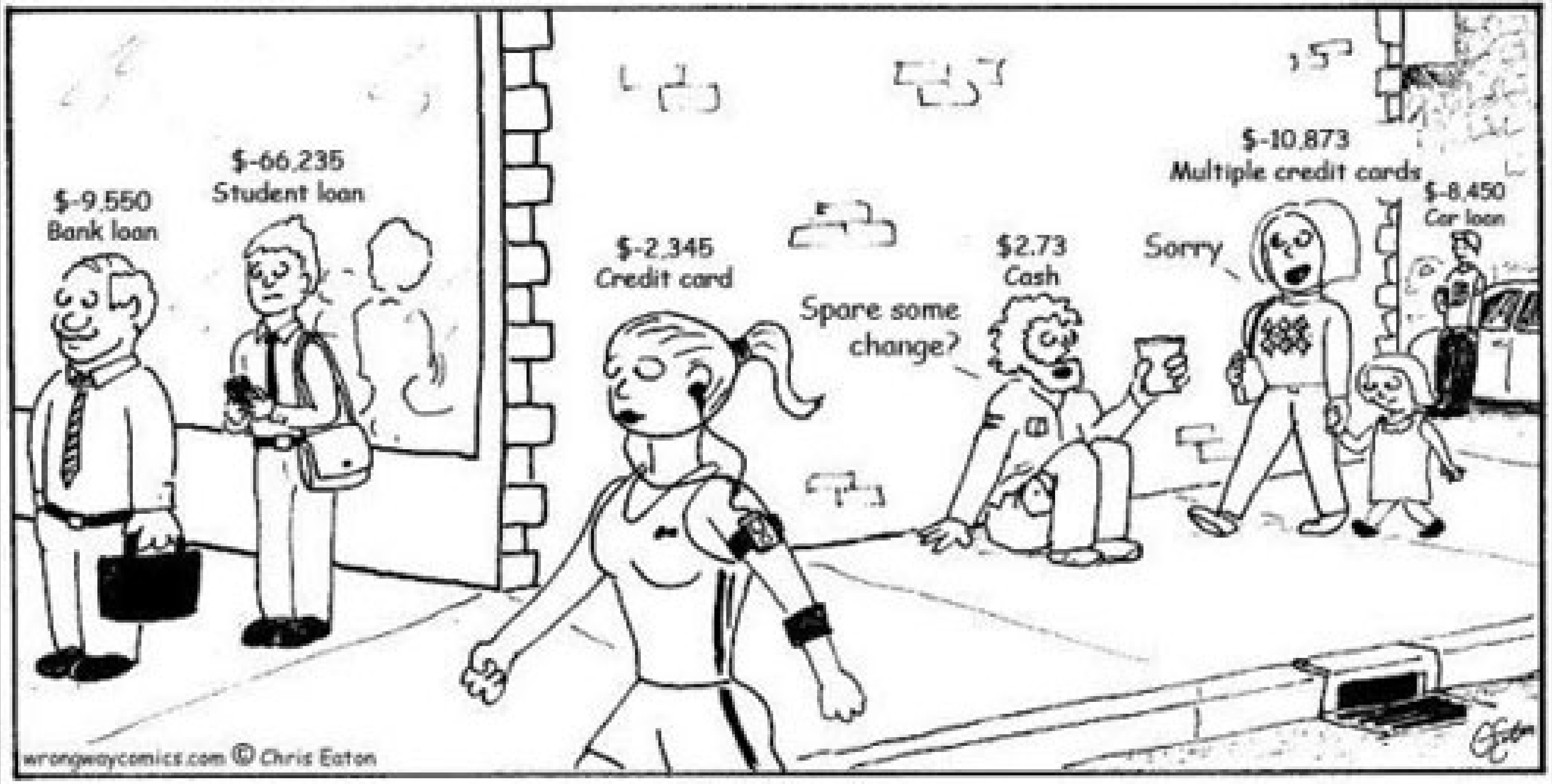
Assets - liabilities = net worth

Manage Risk

Protection from the impact of unfortunate events

What to do with earnings

Focus on net worth

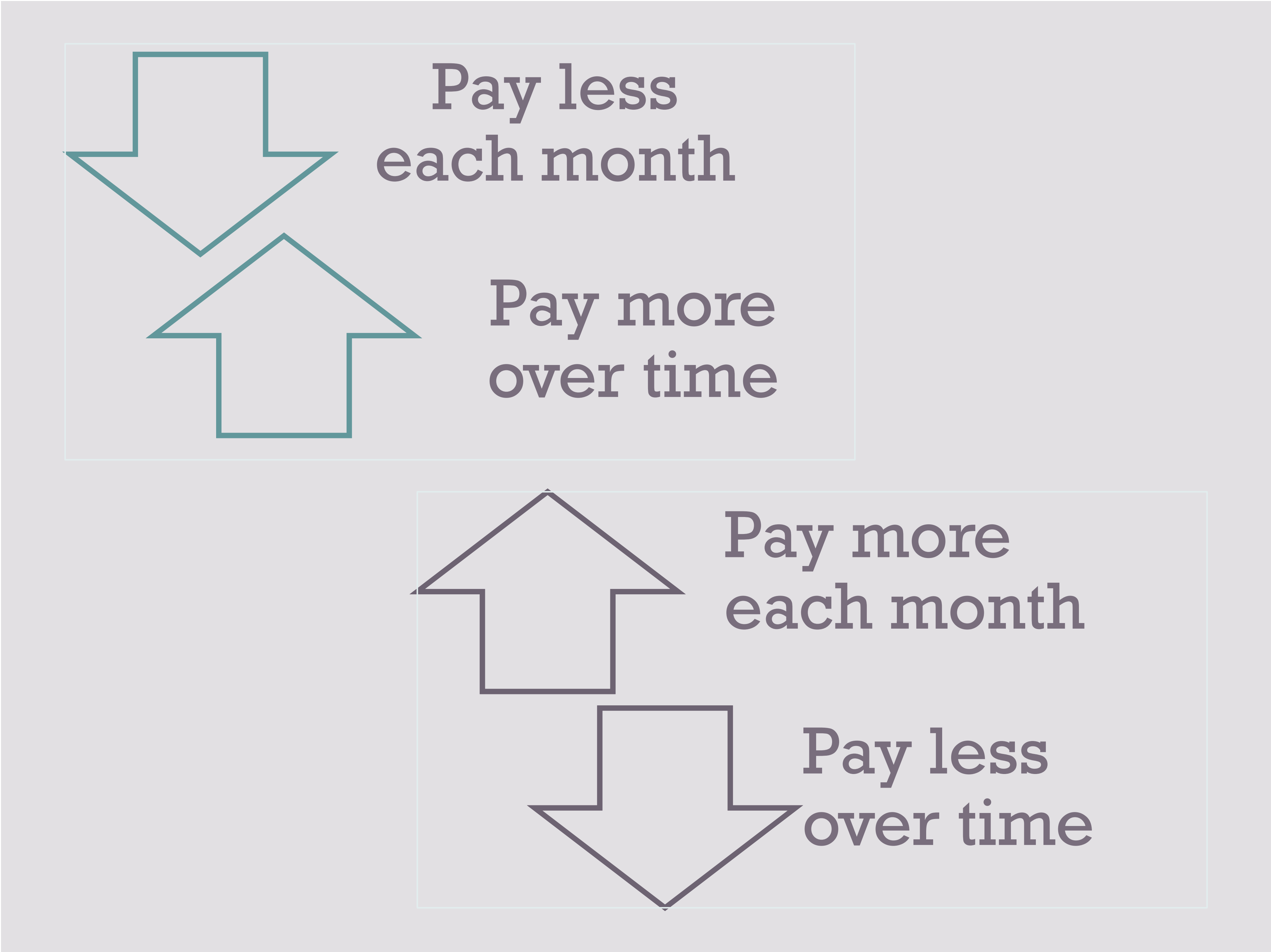


Net Worth

Credit: Chris Eaton wrongwaycomics.com
via Caveatbettor

Minimize the cost of debt

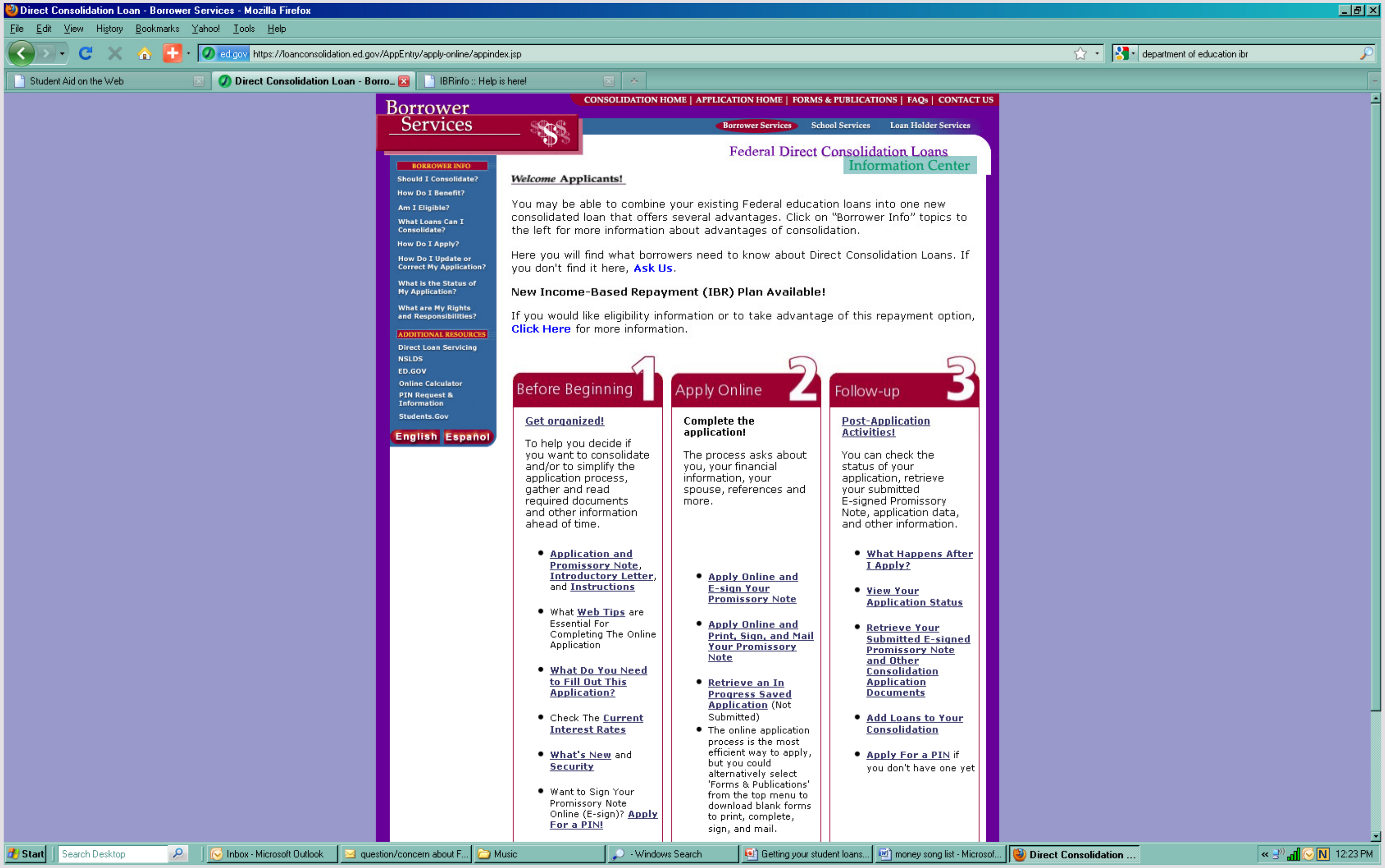
Consolidation, repayment plan selection, interest rates


Pay less each month
Pay more over time
Pay more each month
Pay less over time

It costs money to borrow money

Total Cost of Loans (over 10, 15, 20 and 25 Years)				
Debt	10	15	20	25
$100,000	$138,096	$159,783	$183,201	$208,222

http://loanconsolidation.ed.gov/



Type of loan: Federal Loans Offer Many Repayment Options

Standard	Graduated	Extended
Income-Sensitive	“Alternative”	Income-Contingent
Income-Based	Pay As You Earn	

Repayment options depend upon type of loan and type of borrower

Type of loan	Federal vs. private
	FFEL vs. Direct
	Consolidation loan or not
	Parent PLUS or not
Type of borrower	Borrowing dates
	Balance
	Debt to income ratio
	Parent or student borrower (or both?)

So-called “Standard” Repayment Plan

Equal fixed monthly payments

$50 monthly minimum

5-10 year repayment term

BUT 10-30 year “standard” repayment term for consolidation loans

Graduated Repayment Plan

Payments start low(ish) and increase every two years

Minimum payment is accrued interest

5-10 year repayment term

Or 10-30 year repayment term for Consolidation Loans

Length of repayment term for "standard" & graduated repayment plans

If the Total Education Indebtedness is		Maximum Number of Monthly Payments
At Least	Less Than	
	$7,500	120 (10 years)
$7,500	$10,000	144 (12 years)
$10,000	$20,000	180 (15 years)
$20,000	$40,000	240 (20 years)
$40,000	$60,000	300 (25 years)
$60,000		360 (30 years)

Extended Repayment Plan

- No outstanding balance on a FFEL or Direct Program loan on or before October 7, 1998
- Must have more than $30,000 in outstanding FFEL or Direct Loans
- Choice of fixed or graduated monthly payments
- Minimum payment of $50 for Fixed Extended
- Maximum repayment period is 25 years

Who should consider choosing income-driven repayment

Government and nonprofit employees

High-debt graduate and professional borrowers

Borrowers with low income as compared to debt (instead of deferment or forbearances)

Income driven repayment plans

Monthly payments are calculated based on:

Adjusted Gross Income

Family Size

Partial Financial Hardship

Required debt to income ratio in order to qualify to choose IBR or PAYE

Partial Financial Hardship: IBR example

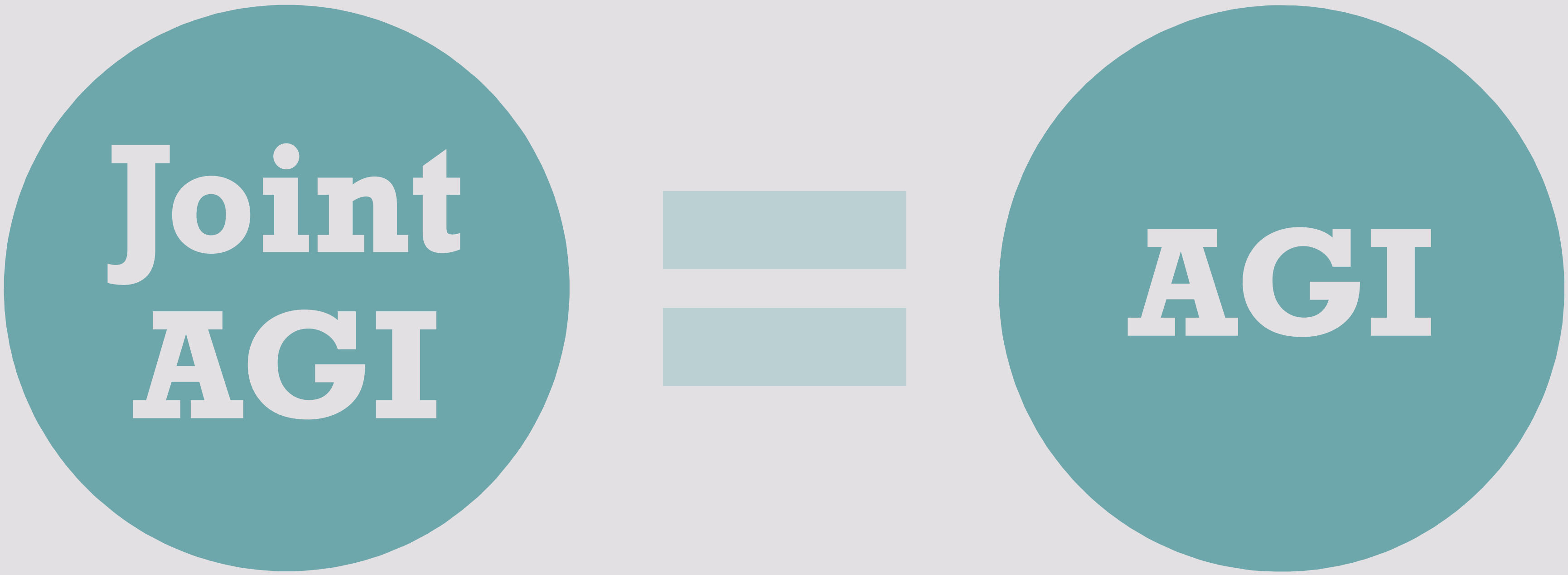
Eligible Loans	AGI		
	Family size = 1	Family size = 2	Family size = 3
$100,000	$108,399	$114,129	$119,859
$110,000	$117,606	$123,336	$129,066
$120,000	$126,812	$132,542	$138,272
$130,000	$136,019	$141,749	$147,479
$140,000	$145,225	$150,955	$156,685
$150,000	$154,431	$160,161	$165,891
$160,000	$163,638	$169,368	$175,098

PAYE more generous than IBR

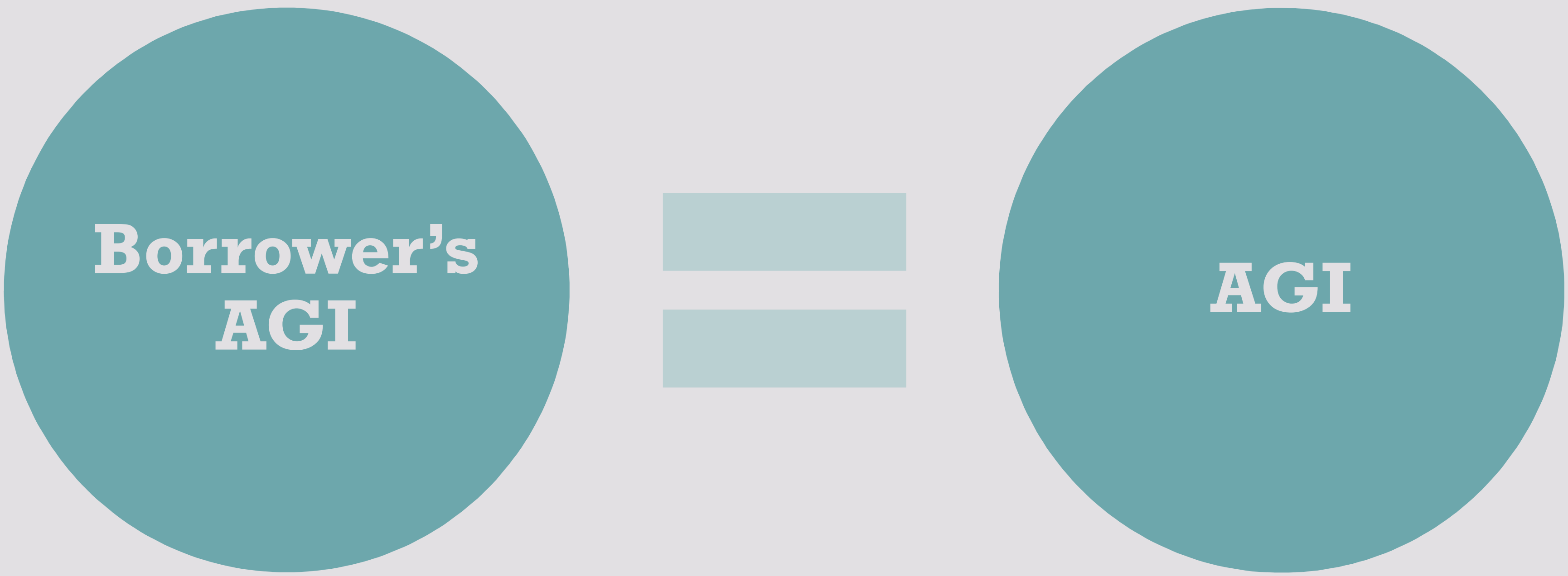
But PAYE only available for "new borrowers":

- No balance on a federal loan on October 1, 2007
- Borrowed a federal loan on or after October 1, 2011

Married filing jointly



Individual or married filing separately tax filing status



Interest and capitalization

IBR	3 year subsidy
	No capitalization unless no PFH or leaves IBR
	No limit on amount of capitalization
PAYE	3 year subsidy
	No capitalization unless no PFH or leaves PAYE
	10% cap on interest capitalization

Four Steps Every Law Firm Can Take to Lighten the Pressure on Your Lawyers with Student Debt

1. Encourage attorneys to fully examine their particular circumstances.
2. Promote strategies that minimize loan costs.
3. Provide financial planning programming that addresses the unique concerns of student loan borrowers.
4. Distribute NALP's Guide.

Step-by-Step Student Loan Guide for Law Firms Employers:

A Collection of Tools You Can Use Immediately to Lighten the Pressure on Your Lawyers with Student Loan Debt

Appendix of Materials for Attorneys with Student Loans

1. U.S. Department of Education's Fact Sheets
2. Direct Consolidation Loan Application Package
3. Essential Tools for Student Loan Borrowers

Closing Thoughts

- Help us help you
- Distribute NALP's tools
- Sign up for Heather's mailing list
- Facebook/studentloanexpert

askheatherjarvis.com

HEATHER JARVIS
Student Loan Expert

EDUCATIONAL RESOURCES AND TRAINING
FOR STUDENT LOAN BORROWERS & THE PEOPLE WHO LOVE THEM

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TOOLS

Student loan borrowers have important decisions to make. These tools will help you understand your options and manage your student loans.

Essential Tools for Student Loan Borrowers

- Public Service Loan Forgiveness in 5 Easy Steps
- The Right Kind of Job for Public Service Loan Forgiveness
- The Right Kind of Loans for Public Service Loan Forgiveness
- The Right Kind of Payments for Public Service Loan Forgiveness
- Borrower Action Plan: Public Service Loan Forgiveness
- Heather's Public Service Loan Forgiveness Slideshow

Heather's Favorite Sites

It takes a villiage! Heather works closely with many of the following organizations and businesses.

Student Loan Borrower Assistance.org is brought to us by the great and powerful National Consumer Law Center. This content rich site provides free information about repayment options, avoiding and getting out of default, and dealing with collections agencies.

GL Advisor offers a unique service designed to help students and professional graduates lower the cost of student loan debt and save time so they can focus on their career. GL Advisor provides student debt management assistance, financial planning, tax preparation services and professional investment advice. Heather recommends starting with GL Advisor's FREE personalized student debt assessment and complimentary one-on-one consultation.