

April 7, 2008

North Carolina Lawyers Weekly

Article of the week from *North Carolina Lawyers Weekly*:

When loans are truly outstanding

Public service is way to go for law grads who need help

By Diana Smith, Staff writer

When Emily Jura moved from Ohio to North Carolina to attend Duke University's law school, she knew two things for certain.

First, she wanted to work in public defense. Second, she wanted to be able to afford to do so.

Now, as Jura, 26, prepares to graduate, she will be leaving Duke with \$110,000 in student loans. The burning question: How will she make monthly payments on those debts on a public defender's salary?

For years, attorneys entering public service fields have struggled with the same problem -- how to balance their desire to serve with the financial demands of paying off their student loans.

Indeed, an ABA report found that almost 87 percent of law students obtained federal or private loans to finance their education in 2002. Sixty-six percent said that they were deterred from entering public interest or government jobs because their starting income would not be enough for them to repay their debts.

The average amount owed in 2002: \$80,000.

The median entry-level salary for an attorney at a civil legal services organization at that time: \$36,000, according to the National Association of Law Placement.

That income figure did not change by 2006, when NALP conducted its most recent salary survey. Neither did the amount of loan debt that law graduates had amassed still averaging \$80,000, but as high as \$175,000, according to Shannon Scruggs, executive director of the S.C. Bar Foundation.

Finding ways to offset the burden of loan payments for lawyers serving the public has long been a goal for law schools in the Carolinas. The issue came to the forefront again in March when Harvard Law School announced that it would waive tuition for third-year students who commit to five years of non-profit or government work after they graduate.

It's a remarkable initiative, but a fiscal impossibility for the vast majority of law schools, said Andy Abrams, interim dean of the Charleston School of Law.

What many schools do have in place, however, is loan repayment assistance programs -- also known as LRAPs -- to help offset the burden of monthly loan payments for attorneys working in the public sector.

Each program operates somewhat differently, but in most cases, LRAPs provide financial aid to graduates in the form of forgivable loans. Monies are administered from a variety of sources, such as law schools, state bar foundations, federal or state governments or independent agencies, the ABA report said. Those funds, in turn, go directly toward the repayment of loans to Uncle Sam or to private lenders.

Duke University has the oldest school-based LRAP in the Carolinas. Established in 1997, the program began

with a budget of \$150,000 and has grown by \$10,000 each year in addition to private donations, said William Hoye, associate dean and dean of admissions and financial aid.

Duke's LRAP gives funds to graduates employed in government practice or non-profit agencies who earn less than \$60,000 per year. What they receive is determined on a sliding scale based on their income. Students at the lower end of the salary spectrum -- such as \$25,000 -- usually receive assistance that covers 100 percent of their monthly loan payments for a 12-month period, Hoye said.

Without the LRAP, Jura said that she would never have come to Duke.

"LRAP was an expectation for me," she said. "It's not feasible to do public interest law with such a high debt load and without some kind of program or assistance."

Like most schools with LRAP programs, Duke requires attorneys receiving repayment assistance to submit lender statements and employment verification mid-year to prove that they are still qualified for the program. At the end of the year, Duke forgives those loans.

Other established loan forgiveness programs are in place at the University of South Carolina and Wake Forest University. Both LRAPs are endowment-funded and each provided assistance to eight of their graduates last year.

OUTSIDE HELP

Beyond the law schools, other organizations seek to aid lawyers entering public service. The non-profit North Carolina Legal Education Assistance Foundation provides forgivable loans to public interest attorneys in the Tar Heel state.

The organization, which distributed its first checks in 1991, is supported by the state General Assembly, private lawyers, North Carolina law schools, bar organizations and other donors, according to Esther Hall, executive director.

All seven of the state's law schools are affiliated with the program. Right now, Duke and Wake Forest have the only school-based LRAPs in North Carolina. However, their graduates can still apply for N.C. LEAF assistance if they receive only partial coverage from the school programs, said Arlene Summers, program director.

Three of the state's other law schools UNC, N.C. Central and Campbell have graduates who receive N.C. LEAF funds. Elon law students will be able to apply after the school graduates its first class in May 2009.

The Charlotte School of Law must receive provisional accreditation before its students can take advantage of federal financial aid or repayment assistance programs. However, the school is currently creating a non-profit agency that will eventually offer loan repayment assistance to graduates in public service fields, said Denise Spriggs, associate dean of students.

Heather Taraska has received N.C. LEAF funds since her graduation from UNC in 2001. An assistant district attorney in Mecklenburg County, she said that she would not be able to work in the public sector without the program's help.

"My loan payments are approximately half of my salary each month, so if I didn't have the support of LEAF, I wouldn't be able to eat and I wouldn't be able to pay my rent," said Taraska.

When she first began working at the D.A.'s office, Taraska earned about \$30,000 per year, with no benefits or

health insurance. Yet she had \$75,000 in law school loans to repay. She applied for N.C. LEAF benefits immediately after graduation.

"It really steered my career path and gave me the security and stability to know that the support was out there, that I really could work in the public sector and survive."

Since its inception, N.C. LEAF has disbursed over \$2.6 million to 370 attorneys. But the demand for funds is always growing, Hall said. Last year, the organization received 80 applications for repayment assistance. Thirty-seven were wait-listed.

PROGRESS FOR PUBLIC SERVICE

N.C. LEAF has also been a mentor for the UNC School of Law as it develops its own LRAP program, according to John Boger, the school's dean. When it gets under way next year, UNC's LRAP will channel at least \$200,000 per year to graduates in public service fields.

New loan repayment programs are also popping up in the Palmetto State. Thanks to a donor-directed gift, the S.C. Bar Foundation established an LRAP last year, which gave \$158,400 to 23 civil legal aid attorneys to help with their loan payments.

It's an initiative that the foundation had wanted to pursue for years, but "the stars aligned" with the donation, said Scruggs, the executive director.

Prior to establishing the program, the foundation surveyed S.C. attorneys employed in public service positions. The respondents estimated that it would take 21-30 years for them to repay their law school debt, which is often piled on top of undergraduate loans.

Also, the Charleston School of Law, which graduated its first class last May, used the LRAP model to establish a loan repayment assistance program this year. Rather than providing forgivable loans, however, the school's foundation is awarding grants of approximately \$2,500 to applicants who have served in the public sector for at least six months.

"The idea is to help defray the debt, or at least cover the interest payments, for students who elect to go into public service," said Abrams. "What you don't want is to have students opting for a particular area of law practice purely based on what's going to be the most lucrative."

Undeniably, however, there is a certain allure to opting out. Most commonly, 2006 law school graduates chose to work in private practice in a law firm, with a median starting salary of \$95,000 nationwide, according to NALP. Taraska knows lawyers who started at \$150,000 in Charlotte.

That's hard to compete with, but there are committed lawyers out there who do not shy away from public service, Abrams said. One recent CSOL graduate took a public service position earning \$25,000 because she felt it was "her calling."

"When asked what she would do with her outstanding debt, she said, 'I'll deal with it,'" said Abrams. "That's the kind of commitment that we want to nurture to the extent that we can."

FEDERAL HELP

Public interest attorneys may also find relief when Congress's recently enacted College Cost Reduction and Access Act of 2007 takes full effect on July 1, 2009. The legislation created a new type of repayment program -- called income-based repayment -- which reduces monthly loan payments for people with high debt and low

incomes.

In addition, the CCRAA will provide federal loan forgiveness for borrowers who remain employed in public service for 10 years and make 120 qualifying loan payments under the Direct Loan program.

"This is the best time to be applying to law school if one's thinking about a career in public service," said Hoye, from Duke.

Jura said that the federal legislation has made students interested in public service law very hopeful.

Right now, existing LRAPs like those at Duke, USC and N.C. LEAF are reevaluating how their programs might be modified in light of the new law.

Duke's plan is to identify the shortcomings in the federal program and try to funnel those dollars into filling in the gaps.

"There are a couple of limitations," said Hoye. "Anyone who stays in public service for 10 years will have their loans repaid by the government, and that's great. But graduates who only stay in public service for a few years will face a different roadblock.

"They will be able to take advantage of the program through income-based repayment, so the amounts they will owe on a monthly basis will be much lower than what they would have owed under the standard [10-year] repayment schedule. But, those low monthly payments might be so low that they would not even be paying the interest that's accruing on the loan. So, if they leave before attaining that 10-year forgiveness, they may owe more than when they started."

That's where schools can step in to help students understand how their law school debt will translate into real life, said Sylvia Novinsky, assistant dean for public service programs at UNC.

"I think they get scared when they sit down and start doing the numbers," she said. "What we need to do is have more down and dirty conversations with students, so that they don't come out of their number-crunching thinking, 'Oh, God, what am I doing?'"

Taraska, the assistant district attorney, began having those conversations with herself in her first year at UNC. She began attending meetings at N.C. LEAF and was a board member by her third year.

Now that she's been a recipient of funds for eight years, she's become a resource for public interest lawyers and urges them to take full advantage of N.C. LEAF. She estimates that 10 people from her office have received forgivable loans through the program.

But she's also watched other co-workers leave public service for higher paying, private jobs. Even with loan repayment assistance, making ends meet remains a struggle for people in the public sector, Taraska said.

"Grade school kids come to our office and always ask what kind of car we drive," she said. "I drove a Ford Escort for years. I laugh and think, 'You really don't want to know what we drive.'"

"We're not the kind of lawyers that you see driving Maseratis. All of us definitely make sacrifices to stay here, and having support to pay back the loans is just a breath of fresh air. Maybe you'll still have trouble making your car payment, but at least you know that your loans won't be in forbearance for the rest of your life."

Questions or comments may be directed to diana.smith@nc.lawyersweekly.com.