

Victory for Law Students On Capitol Hill

By Marc Baranov

In late September, aspiring public interest lawyers nationwide scored a major victory in the battle against ever-increasing student loan debt.

After years of negotiations and debate on loan repayment assistance programs, Congress passed, and President George W. Bush signed, the College Cost Reduction and Access Act of 2007 (CCRAA). In part, the CCRAA allows recent law school graduates who work in “public service” to pay off their qualified federal loans at a reduced rate, and have the balance of these loans completely forgiven after 120 monthly payments, or ten years.

“This is a decisive victory for law students,” said Daniel Suvor, Chair of the American Bar Association (ABA) Law Student Division. “Over the past several years, law student leaders aggressively lobbied for this change, prompting law students nationally to write thousands of letters and hold hundreds of meetings with their Senators and members of Congress.”

According to the ABA, eighty-seven percent of law students borrow money to attend law school. The average law student graduates with \$83,181 in total educational debt from a private law school, and \$54,509 from a public law school. Additionally, according to the National Association of Law Placement, the median gross starting salary at a non-profit public service organization is approximately \$40,000.

“With standard loan repayment schedules, some young lawyers were being forced to opt out of public interest work to stay above the poverty line,” said American Association of Law Schools Executive Director Carl Monk. “This law will allow public interest entities to compete with the big firms and successfully lure the best and brightest into their ranks.”

The new law offers substantial loan forgiveness for “public service” attorneys that make ten years of payments towards their qualifying federal student loans. After the ten-year period, “public service” attorneys will be eligible for total forgiveness of their remaining federal loans, regardless of the remaining balance owed. It is also noteworthy that the ten years of “public service” do not have to be consecutive.

“I have wanted to be a Public Defender since Criminal Law during my first year of law school,” said Rachel Raymond, a 3L at Southwestern Law School in Los Angeles. “This law will allow me to pursue my dream, and not just for a year or two, but as a lifetime career.”

Per the current language of the CCRAA, “public service” includes all full-time employment by government agencies and “501(c)(3) organizations (among other

categories). Over the next year though, the Department of Education will issue regulations that determine how broadly (or narrowly) this term will be interpreted.

The new law also allows borrowers to enter into a reduced payment program that ties monthly payments to an affordable percentage of monthly income, which could potentially reduce monthly payments by two-thirds.

As written though, the CCRAA has potential pitfalls with regard to tax payments and marriage disincentives. Specifically, forgiveness at year ten might be construed as taxable income under the law, and the Department of Education might add both spouses' incomes together to determine how much the borrower must pay, conceivably tripling or even quadrupling the borrower's monthly repayment. Congress is currently in discussions over these very issues.

Learn how to explain this exciting new law to your fellow students and how you can lobby your members of Congress on these and other important issues by visiting abanet.org/lsd/legislation. Also, for more information on how the CCRAA can work for you, consult your school's Financial Aid Department.

Marc Baranov currently serves as a Delegate from the ABA Law Student Division to the ABA House of Delegates.