



American Bar Association Fact Sheet

Stafford Loan Program Increase

The rising debt burden of law graduates and other graduates has a negative impact on the ability of highly qualified individuals to pursue careers in public service. A key factor contributing to this debt burden is the \$18,500 cap (\$8,500 subsidized, \$10,000 unsubsidized) on the amount that graduate and professional students may borrow annually under the Stafford loan program. With tuition and living expenses for law school often far exceeding this amount, students are forced to borrow from the private commercial market at substantially higher interest rates—increasing their total debt burden.

Many law students graduate from law school owing \$80,000 or more in loans. For law graduates following a standard ten-year repayment schedule, this will result in payments of more than \$900 per month. With the median entry-level public service law salary at \$35,000, these mortgage-size debts bar most graduates from pursuing public service jobs, such as those with some government agencies or legal services programs. Among the graduates who do take such positions, many are forced to leave after two to three years of employment.

In order to help alleviate this problem, the American Bar Association recommends an increase from \$10,000 to at least \$30,000 in the amount of unsubsidized Stafford loans that graduate and professional students may borrow annually.

- **The current limits for graduate and professional students under the Stafford Loan Program are insufficient.** Currently, graduate and professional students may borrow \$8,500 in subsidized loans and \$10,000 in unsubsidized loans annually under the Stafford program. However, in 2002, the average private law school tuition was \$24,144, while the average annual public law school tuition was \$9,376 for residents and \$18,131 for non-residents. These amounts do not include living expenses or incidentals such as books and supplies. Most students, therefore, must also borrow from private lenders, at much higher interest rates, in order to meet their total cost of education.
- **Congress has not adjusted the Stafford loan limit for graduate and professional students in almost ten years.** Through 1992, Congress regularly increased the amount of Stafford loan funds that graduate and professional students could borrow annually at low interest rates. However, Congress has not adjusted that figure, set at \$18,500, since 1992. Meanwhile, during the period from 1992-2002, inflation has risen 28%, while the cost of tuition for public law schools has risen 134% (for residents) and 100% (for non-residents) and private law school tuition has increased 76%. Consequently, the real value of the \$18,500 cap has diminished considerably over the past ten years.
- **All graduate and professional students should be treated equally.** In 1999, the Department of Education used existing statutory authority to raise the unsubsidized Stafford limit to \$30,000 for medical students and certain other students in health professions, including podiatry and veterinary students. That same limit should now be applied to all graduate and professional students, because most, especially those at private institutions, are unable to finance their educations by borrowing within the annual Stafford loan limits that Congress set in 1992.
- **Raising the Stafford loan limit would benefit law students and other graduate and professional students who want to pursue careers in government or public service.** An increase in the unsubsidized Stafford loan limit would benefit lower-income borrowers, such as those pursuing careers in public service, because they could consolidate a larger portion of their debt, which could then be repaid pursuant to the income-contingent repayment option of the William D. Ford Federal Direct Loan Program.

The ABA strongly supports an increase to at least \$30,000 in the amount of unsubsidized Stafford loans that a graduate or professional student may borrow annually.