JANELLE JORDAN

not always be like this,” says Jordan of Fairmount Heights, Md.

So far, Jordan has little more than hope to go on.

Jordan makes a bit less than $50,000 as an associate county attorney for the Prince George’s County Department of Environmental Resources. While she knows she could be making more in private practice, she’s attained something much more important to her: professional fulfillment.

“I like getting up and going to work every day. If you have to get up and go to work every day and hate it, that is much more stress than owing a big debt,” she says. “So would I trade happiness for paying off my student loans? No.”

But her professional satisfaction has come at a price. Jordan’s salary, which is on the high end for public interest lawyers, gives her little financial wiggle room to repay her loans, live a comfortable lifestyle and save for her future. And Jordan has been looking for a little room to maneuver ever since graduating from Michigan State University law school in 2005.

WORKING TOWARD SOLVENCY

Upon graduation from law school, she immediately consolidated her $160,000 in federal government-backed loans at a 4 percent interest rate. She also was given an economic hardship forbearance that delayed the start of her payments until this July.

She had fewer choices with the $48,000 in private loans she borrowed at a hefty 9.2 percent interest rate. She received a forbearance on those loans and was supposed to start paying them back earlier this year.

Her student loan burden is, however, only part of the problem. For the first time in her life, Jordan is racking up credit card debt. Her savings are minimal, and she also cannot afford to put any money toward retirement. Instead, Jordan plans to stay with her job as long as possible to vest fully in the county’s pension fund.

Personal financial advisers have told Jordan to cut back on her lifestyle, but there’s little left to cut. In a last-ditch effort to find money to start paying off her loans, she cut off her cable television subscription and at-home Internet access and has started looking for a second job.

Right now, Jordan’s primary focus is on her private student loans. Last year she hatched a plan to pay them off by buying an apartment for about $165,000 with a no-money-down mortgage loan at just over 6 percent interest. She had hoped to use the appreciation on her condominium to pay off the loans. While the unit has appreciated some $30,000 in value since she bought it,

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PHOTOGRAPHS OF JANELLE JORDAN BY ELIOT BARCLAY/DOUG.
Jordan realizes she could not afford to refinance it.

Jordan's situation may seem extreme, but student loan experts say that it really is not when one considers the most recent statistics. According to the ABA Section of Legal Education and Admissions to the Bar, students borrowed an average of $51,056 in 2005 to attend a public law school and $78,763 for a private law school.

When factoring in interest and other costs, that debt can quickly rise to almost $100,000, says Dan Thibeault, president of Graduate Leverage, a Boston-based company that advises graduate students on loans.

These figures are only expected to grow as the price of a legal education continues to rise, says Jeffrey Hanson, director of borrower education services for the Wilmington, Del.-based Access Group, a nonprofit student loan provider with a focus on law students.

While the news may be filled with reports of young lawyers making $160,000 starting salaries, the reality is that this group of high earners represents only a small fraction of the profession. According to the National Association for Law Placement in Washington, D.C., the median starting salary for 2005 law school grads was $60,000. It's not hard to do the math and see why so many young lawyers like Jordan are struggling to get ahead.

In fact, most students do not know they are in trouble until they land their first job, and by then it is too late. Hanson says young lawyers should know they will have difficulty repaying their student loans when their debt exceeds their starting salary.

CONSIDERING ALL APPROACHES

SO IS THERE A SOLUTION TO THE LIKES

of Jordan's student loan cash crunch?

Chicago-based money coach Sharon Durling says Jordan and other debt-ridden young lawyers might be able to dig out if they reassess their priorities. "You need to know your financial obligations. Only after that can you make lifestyle decisions," says Durling, author of A Girl and Her Money.

Durling wants Jordan to, at a minimum, put into her retirement plan the same amount of money her employer matches. "Otherwise it is literally throwing money away," she says.

High-interest credit card debt also is a bad use of her money. To accomplish any of what Durling advises, Jordan will need to make further lifestyle cuts. Durling suggests Jordan look for a roommate, sell her car and ramp up her searches for a second job. Otherwise, Durling fears, Jordan will be facing bankruptcy and lose what little she has—everything, that is, but her student loans.

But the system does have some built-in solutions to help ease the student loan burden. Thibeault suggests that, instead of further cutting into her bare-bones life-

"Lenders will do everything they can within the terms of the promissory note to help. But a lender cannot do anything if a borrower does not contact them."

—Jeffrey Hanson

style, Jordan look into further consolidating her student loans. Consolidation allows borrowers to lower their monthly payments by extending the term of repayment.

Like most young professionals, Jordan has been led to believe that only federal government-backed student loans can be consolidated. That is no longer true, says Thibeault.

Both Thibeault and Hanson also encourage debt-ridden young lawyers to explore loan deferments or forbearances. Though the terms are used synonymously, they are different. Both suspend a borrower's repayment obligation for a period of time, Thibeault explains. But loan deferments also suspend the accrual of interest while forbearances do not.

Thibeault says lenders often are reluctant to offer deferments to borrowers because it costs them money. But he encourages young lawyers to inquire about this as an option. Lenders have different eligibility requirements for deferments and usually offer them for only three years. Forbearances, by contrast, can be extended to seven years with most lenders.

Some lenders of federal loans also may offer lawyers with high debt-to-income ratios an income-contingent repayment plan that relieves them of paying the interest on their loan. "It is negative amortization," says Hanson, and is another way to lower a borrower's monthly payment.

Another option for Jordan, whose job places her in the public interest practice sector, is help through a loan repayment assistance program.

These programs encourage young lawyers to go into public interest law by offering various types of loan repayment help through grants and loan forgiveness. However, only 20 states have any type of repayment assistance program, and eligibility varies greatly, says Phoenix lawyer Kelly Carmody, who advises states on such programs.

Carmody says many law schools offer loan repayment assistance programs that have broader eligibility. She encourages Jordan to explore such programs through her alma mater.

If all else fails, Hanson encourages Jordan and other similarly debt-ridden young lawyers to be in constant communication with their lenders. Lenders would rather work with their borrowers on repayment options than have them default.

"Lenders will do everything they can within the terms of the promissory note to help," says Hanson. "But a lender cannot do anything if a borrower does not contact them to work with them. The sooner the borrower contacts them, the better. It becomes more difficult if you miss a payment because then you have to get current before they can offer you any options."