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The Burdens of Educational Loans: The Impacts of Debt on Job Choice and Standards of Living for Students at Nine American Law Schools

David L. Chambers

American law students are borrowing large sums of money. For graduates at many schools, cumulative debts of $40,000 from college and law school have become the norm, and debts of $50,000, $60,000, and even more are common. The sums students are borrowing are much larger today than they were ten years ago, even after adjusting for increases in the cost of living. They have risen at a considerably faster pace than the starting salaries at small law firms and government agencies. They have even risen at a faster pace than the starting salaries in many large firms.

The new pattern of borrowing suggests some obvious questions. One is whether students' concerns about the burden of high debts affect the choices they are making about the kinds of jobs to seek upon graduation. Another is whether those who are borrowing these large sums are likely to have difficulty making payments after they graduate.

As a small step toward answering these questions, nine law schools agreed to administer the same brief questionnaire to the members of their graduating classes in April 1989.¹ The nine schools, though diverse in many respects, cannot be taken as representative of all American law schools, but our findings can be seen as suggestive of issues almost certainly arising in some form at nearly all American law schools. What follows is a report on the findings from the questionnaire.

Our conclusions are complex. First, we have found some slight but significant evidence that at these nine schools, even after controlling for some other

¹ The questionnaire is reprinted in an Appendix at the end of this article. A tenth school participated, but because of an error of communication, that school administered the questionnaire only to those students who had debts rather than to all students in the graduating class. On discovering this error, I removed that school's data from the study.
significant factors, the higher the graduates' debts the more likely they are to take jobs in larger private law firms and the less likely they are to take jobs in government or legal services. Thus far, the observable relationship between debts and job choice is slight. It may even be a mirage. But it may also be a stern warning about the future. Our second major set of findings relates to the burden of debts on recent graduates' standard of living. Our happy conclusion is that the great majority of the students we surveyed from the class of 1989 should be able to pay off their debts without serious discomfort. The great majority—but not everyone. A small but worrisome group reported no job at graduation and made no prediction as to the setting in which they would find a job. In this group were many with substantial debts, some of whom will probably have grave difficulty making payments. And even among those with jobs at graduation, a small but significant number also seem likely to report difficulties. The Law School Admission Council (LSAC) recommends that law graduates avoid loans that will require them to pay out more than 10 percent of their gross earnings in loan payments. The LSAC sets a higher level of safe debt burden than others recommend. Even so, we calculate that about one in five or one in six of the respondents with jobs at graduation (not even counting those who are judicial clerks) will be exceeding the recommended LSAC maximum and that this group will include many of those whose earnings are least likely to rise swiftly after their initial year. The position of minority students and of students with low grades in law school is especially worrisome: by our calculations, substantially greater numbers of them are likely to feel strained in making payments.

This study is based on the graduating class of 1989. During the 1990-1991 and 1991-1992 school years, as the nation moved into a recession, many private firms were hiring fewer new associates, entering salaries were barely rising, but law school tuitions and expenses were continuing to rise. If the downturn in the market for lawyers continues, the generally optimistic tone of this report will become increasingly irrelevant. Many more of our students and graduates will be in trouble.

I. The Nine Schools

The nine schools in the study are all well-established, long-term members of the Association of American Law Schools. They differ nonetheless in several respects that are useful for a study of debts and the effects of debts. Several have tuitions that are among the highest at American law schools. Several others are among the lowest. The schools also differ widely in the initial career paths of their graduates—both in the proportions of their graduating classes who have jobs in hand by the spring of their last year in law school and, among students with jobs, in the proportions who take jobs in lower-paying settings such as government and small firms and in higher-paying settings such as the large firms.

The tuitions, expenses, and employment patterns do not vary randomly among the nine schools. In fact, along these dimensions, the nine schools
Burdens of Educational Loans

divide fairly cleanly into two groups, which we have called Group A and Group B. Throughout this report we will speak primarily in terms of these two groups. Table I reveals some of their characteristics. The Group A schools have lower tuitions, have substantial numbers of students without jobs in hand at the end of law school, and send many or most of their graduates to work in government, in small private law firms, or in settings outside of practice. The Group B schools have higher tuitions, and the great majority of their students have accepted jobs by graduation, most of them in large firms. Although it is not revealed by the table, the students in the Group B schools generally also face higher housing and other living costs in the cities in which their schools are located than do the students at the lower-tuition group A schools.

Table I

Characteristics of 9 schools studied, divided into 2 groups, by tuition

<table>
<thead>
<tr>
<th></th>
<th>Four lower-cost schools (Group A)</th>
<th>Five higher-cost schools (Group B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition*</td>
<td>$2,000-8,000</td>
<td>$9,000-12,000</td>
</tr>
<tr>
<td>Median</td>
<td>$3,000</td>
<td>$11,000</td>
</tr>
<tr>
<td>Percent of respondents with jobs in April of graduating year</td>
<td>39%-86%</td>
<td>70%-96%</td>
</tr>
<tr>
<td>Median</td>
<td>63%</td>
<td>90%</td>
</tr>
<tr>
<td>Percent of respondents expecting to work (after any judicial clerkship) in Government, legal services, public interest</td>
<td>12%-31%</td>
<td>9%-17%</td>
</tr>
<tr>
<td>Median</td>
<td>23%</td>
<td>12%</td>
</tr>
<tr>
<td>Sole practice or small firms (1 to 10 lawyers)</td>
<td>19%-33%</td>
<td>1%-18%</td>
</tr>
<tr>
<td>Median</td>
<td>31%</td>
<td>4%</td>
</tr>
<tr>
<td>Mid-sized firms (11 to 50 lawyers)</td>
<td>12%-28%</td>
<td>9%-28%</td>
</tr>
<tr>
<td>Median</td>
<td>22%</td>
<td>15%</td>
</tr>
<tr>
<td>Large firms (50+ lawyers)</td>
<td>5%-21%</td>
<td>25%-66%</td>
</tr>
<tr>
<td>Median</td>
<td>8%</td>
<td>54%</td>
</tr>
</tbody>
</table>

*For public schools, in-state and out-of-state tuitions have been weighted to reflect the proportion of out-of-state students. All tuition figures have been rounded to the nearest thousand to prevent the reader from identifying the school.

Our study is based on the graduates of only nine of the 175 ABA-accredited law schools in the United States. Many schools not included in the study could fit comfortably into Group A or Group B, but many, of course, could not. Some schools that are not in the study, primarily public schools in highly urbanized states, are like the schools in Group A in having comparatively low tuitions but like the schools in Group B in sending most of their graduates into mid-sized or large firms. None of these schools is in this study. Conversely,
and problematic for any study of law students’ debts, the study includes none of the many schools—nearly all private, many with no university affiliation—that are like the Group B schools in having comparatively high tuitions but like the Group A schools both in having a substantial number of graduates without jobs at the end of law school and in placing few of their graduates in the highest-paying settings. The study must be seen as a pilot inquiry into two common sorts of law schools, not as a representative study of American law schools as a whole.

The survey was conducted in April 1989, within a month or so of graduation. Survey forms were distributed to the entire graduating class at each school. The rate of response ranged from about 40 percent of the class at one school to over 95 percent at another, with a median of 65 percent. In general, the Group A schools were smaller than the Group B schools. We obtained information on debts and career plans for 336 students at Group A schools and 917 students at Group B schools.

II. The Educational Debts of American Law Students

Over the past two decades, undergraduate and graduate education has become increasingly expensive in relation to the average incomes of American families. The expenses of attending law school have risen along with the rest. With rising tuitions, law students have borrowed more to pay for their

Table II

Tuition, cost of attendance, and average student indebtedness at 14 public and private law schools

Table prepared by Law School Admission Council (1990)

(not the same sample of 9 schools on which this study is based)

<table>
<thead>
<tr>
<th>Private institutions</th>
<th>Median 1980-81 tuition</th>
<th>Median 1990-91 tuition</th>
<th>Percent increase</th>
<th>1990-91 Cost to attend*</th>
<th>1989-90 Average indebtedness</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 schools with 1990 tuitions of $15,000+</td>
<td>$5,700</td>
<td>$15,500</td>
<td>272</td>
<td>$24,477</td>
<td>$40,750</td>
</tr>
<tr>
<td>3 schools with 1990 tuitions of $13,000-$15,000</td>
<td>$4,800</td>
<td>$14,100</td>
<td>294</td>
<td>$24,480</td>
<td>$39,650</td>
</tr>
</tbody>
</table>

| Public Institutions | | | | | |
|---------------------| | | | | |
| 4 schools with 1990 in-state tuitions of $3,500-5,500 | $1,510 | $4,700 | 311 | $12,460** | $23,700 |
| 3 schools with 1990 in-state tuitions below $2,000 | $680 | $1,540 | 226 | $9,066** | $19,900 |

*As calculated by each school, including tuition, rent, and other expenses.
**For in-state residents.

education. In Table II, prepared by the Law School Admission Council in June 1990, are some examples of tuitions and average debt burdens for fourteen law schools, only a few of which are among the nine schools in our study. As the table reveals, from 1981 to 1991 tuitions at these schools rose at a median rate of between 226 and 311 percent. During the same period, the Department of Labor's Consumer Price Index rose only 55 percent.

Student indebtedness at the nine schools in our study shows much the same gap between the higher- and lower-tuition schools. The respondents at the nine schools we surveyed were asked, "How much contractually enforceable debt have you accumulated from tuition and living expenses of college, law school, and any other graduate studies?" Table III provides the overall figures for the nine schools. At both the Group A and Group B schools, the great majority of graduating students—70 percent or more at every school—reported at least some educational debt. Where the Group A and Group B schools differed was in the size of the debts of the students with debt. In general (and hardly surprising), the debts of the students at the higher-cost Group B schools were substantially higher than the debts of the students at the lower-cost Group A schools. As the table reveals, the median debts of the students at the Group B schools were more than twice as high ($33,000) as the median debts of the students at the group A schools ($15,000).

<table>
<thead>
<tr>
<th>Table III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational debts from college and law school, 4 lower-tuition and 5 higher-tuition schools, 1989 graduates</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>N</th>
<th>% of students with any debt</th>
<th>Mean debt</th>
<th>Median debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>All respondents at:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group A schools (lower-tuition)</td>
<td>336</td>
<td>77%</td>
<td>$21,116</td>
</tr>
<tr>
<td>Group B schools (higher-tuition)</td>
<td>917</td>
<td>81%</td>
<td>$34,311</td>
</tr>
</tbody>
</table>

The means and medians in Table III do not, of course, adequately convey the diversity of debts among students. Table IV displays that diversity. It shows that half the students at the higher-cost schools had accumulated debts of more than $30,000 and that fully a third of the respondents at the five higher-cost schools had accumulated debts of $40,000 or more by the end of law school. Indeed, one in six had accumulated a debt of at least $50,000. By contrast, only 6 percent of those at the lower-cost schools had accumulated a debt of $40,000 and almost none—a scant 1 percent—had accumulated debts of $50,000.

4. The survey was conducted in 1989. The LSAC figures come from 1990.
Table IV

Educational debts, by ranges, at 4 lower-tuition (Group A) and 5 higher-tuition (Group B) schools, 1989 graduates

<table>
<thead>
<tr>
<th>Proportion with debts of:</th>
<th>Respondents at Group A schools</th>
<th>Respondents at Group B schools</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td>Percent</td>
</tr>
<tr>
<td>$0</td>
<td>76</td>
<td>23%</td>
</tr>
<tr>
<td>$100-$19,900</td>
<td>113</td>
<td>34</td>
</tr>
<tr>
<td>$20,000-$29,900</td>
<td>76</td>
<td>23</td>
</tr>
<tr>
<td>$30,000-$39,900</td>
<td>52</td>
<td>15</td>
</tr>
<tr>
<td>$40,000-$49,900</td>
<td>14</td>
<td>4</td>
</tr>
<tr>
<td>$50,000 or more</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>336</td>
<td>100%</td>
</tr>
</tbody>
</table>

III. The Effects of Debts on Students' Job Choices

Why do students pick the jobs they do? Some reasons have to do with students' own preferences—for cities of certain sizes, for practices of certain types, for work settings that are flexible for families, and so forth. Others are dictated by the preferences of employers—for graduates of certain schools, for graduates with high grades, for graduates thought likely to “fit in.”

To the extent that economic considerations affect student choices, the dominant consideration is surely not the burden of educational debt but rather the huge variations in the starting salaries in the different work settings that law students enter. What every second- and third-year law student in America knows is that the salaries paid in large law firms are higher than the salaries paid in judicial clerkships, in government, and in legal services or public interest settings. They also know that large-firm salaries are generally higher than small-firm salaries. When our survey respondents were second-year students in 1988, the mean salary nationally for law school graduates of the class of 1988 who began work in firms of more than 100 lawyers was $58,940; the mean salaries for those entering firms of two to ten lawyers was $28,480, for those entering government, $26,910, and for those entering legal services or other public interest work, $23,860.5 One year later, the salaries reported by our respondents in the jobs they were actually entering reveal essentially the same yawning gap.6 The gap between starting salaries in the large firms and starting salaries in other settings has widened dramatically over the past fifteen or twenty years.7 (In the early 1970s, for example, the

6. As reported by our respondents, the mean salary for those entering firms of more than 100 lawyers was $62,370, while the mean for those entering firms of 2 to 10 lawyers was $32,830, for those entering government, $29,670, and for those entering legal services or other public interest work, $26,030.
average starting salary for an attorney at the Department of Justice was approximately the same as the starting salary for an associate in the largest Washington law firms. Today, the young attorney starting at the Department of Justice would earn less than half as much as the large-firm associate. The widening gap in salaries probably accounts by itself for much of the decline over this period that many schools report in the proportions of their students choosing to enter small firms, government, and legal services.\(^8\)

One question this study undertook to explore was whether high educational debts have intensified the effects of the salary gap, creating even greater incentives or pressures for students to seek work in the highest-paying settings. At first blush, such an impact seems implausible. If a student were truly willing to take a government job for $30,000 less per year than she could earn at a large firm, is it really likely that she would abandon her plan for a government job because of $3,600 in annual debt payments on her $40,000 loan? Nonetheless, most of us who teach at schools with high tuitions hear complaints from our students that they cannot afford to take a public sector job because they need a high income to pay off their loans. Are debts really affecting job choices for any significant numbers of students?

A. The Strategy for Measuring Effects

In planning our survey, we reasoned that if, after taking other factors into account, we found no correlation between the size of students’ debts and their entry into various higher- or lower-paying settings, that would constitute rather strong evidence that debts were exerting little effect on students’ decisions to enter particular settings.

Conversely, we reasoned that if, after other factors were taken into account, a significant correlation persisted between size of debts and job choices, with graduates with high debts selecting jobs in the highest-paying settings in greater numbers than graduates with lower debts (or with no debts), that would constitute evidence of a relationship of some sort between debts and decisions about job settings. Sad to say (for those of us who want to understand), the exact nature of the relationship would remain ambiguous. That is, even if a positive correlation persisted between size of debts and the selection of high-paying settings, we could not be certain that debts were causing students to seek the higher-paying settings. It would remain possible that, for some students, the causal link runs in the opposite direction: students who expect to enter a large firm at a high salary might be more willing to borrow

8. See, e.g., Ehrenberg, supra note 7. In 1974, 21 percent of law school graduates took first jobs in the “public interest” area or in government (not including judicial clerkships). In 1988, 15 percent did so, a decline of about 30 percent. See National Ass’n for Law Placement, supra note 5, at 4. For another purpose, the author of this report gathered placement information from over 50 law schools. At more than half (and at nearly all those that have been the principal suppliers to the large firms), the number of students taking jobs in government and legal services has declined at a substantially faster rate than the number of available jobs in these settings has declined. In that survey, most of the schools that have been the principal suppliers of new lawyers for the very large firms reported that the proportion of students entering government or public interest work declined by more than 50 percent across the same period.
substantial sums than students who expect to work in lesser-paying settings. In that case, high debts would be an effect rather than a cause of plans to enter a large firm. It is also possible that debts and job choice are related but that neither is the cause of the other: the decision to incur large debts and the decision to enter large firms could be common manifestations of some other attribute—for example, a desire for living well day by day (both while a student and thereafter).9

To determine whether any relationship existed between debts and job choice, we gathered from all respondents information both about their total debt and about their expected job setting and earnings in their first year. (For judicial clerks, we also learned about the setting in which they expected to work after the clerkship.) The difficult challenge we faced was in adequately taking into account the many other factors apart from debt that might affect tastes or opportunities for work in various settings and that, once taken into account, would eliminate any apparent effect of debt.

We were able to gather data on a few of the many factors other than debts that might have affected the job selection. Law school grades, for example, almost certainly affect students' opportunities. At all but one of our nine schools, we had self-reported information about the respondents' law school grades.10 Similarly, the earnings of a spouse might affect a student's willingness to take a lower-paying job. Race and sex might also affect opportunities—as well as preferences. We had information about sex, race, marital or partner status, and partners' earnings. We had no other information or clues about individual characteristics or preferences—no information about class backgrounds of the students (except that which might be inferred from level of debt), no information about respondents' other work experiences or training, and (most relevant, perhaps) no information about the work settings that the respondents had aspired to enter when they started law school.

Since ours was a study of more than one school, we also wanted to take into account the differences among the schools that might affect opportunities (or that might reflect differences in students' career preferences). But of many such differences we were able to take only three into account:

First, as a measure of the differences in students' employment opportunities, we gathered from the placement office at each of the nine schools information about the total number of employers interviewing at that law school during the 1988-1989 school year. Our hypothesis was that the total number of interviewing employers would be a reasonable proxy for the numbers of large-firm job opportunities available to the school's students.11

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9. Yet another relationship might exist between high debts and decisions to enter large firms: it is conceivable that firms prefer to hire students with high debts, believing them likely to work harder (in order to be certain to be able to pay them off). This explanation is implausible because, so far as we can find, employers rarely ask about debts during the hiring process.

10. At some schools, students reported their grade point average; at others, their class quartile. At one, the school provided us information about each student's grades. At one other, unfortunately, no grade information was available to us.

11. We could not obtain more detailed information for each school on the numbers of government employers or firms with over 50 lawyers that had interviewed during the year. We are almost certain that there would be a very high correlation between the total number of interviewing employers and the total number of large firms interviewing.
The diversity among our nine schools was striking. One Group A school, for example, had 54 interviewing employers during 1988-1989; another, in Group B, had 850. We coded for each student the total number of employers interviewing at his or her school.

Second, the opportunities of a law student are almost certainly affected by employers' perceptions of the general level of ability of students at the particular school. As a crude measure of likely employer perceptions about schools, we coded for each student information about the median Law School Admission Test (LSAT) score and median undergraduate grade point average (GPA) of the entering class at his or her school, as reported by the law schools in the Law School Admission Service's Official Guide to Law Schools. The schools in our sample again varied widely—from one at which the median LSAT was 34 to one at which the median was 43; and from one at which the median undergraduate GPA of the entering class was 3.0 to another at which it was 3.7. Such information about undergraduate grades and scores may well be an unreliable guide to the actual lawyering aptitude of a school's graduates, but impressions based loosely on such grades and scores nonetheless affect a law school's reputation and influence employers' decisions about where to interview and to whom to offer jobs.

Third, and finally, because we were trying to separate the effects that debts might have on students' job choices from the effects of the gap between salaries in various settings, we were interested in how wide the salary gap actually appeared to students at the various schools. We hypothesized that government or legal services jobs might look more attractive at schools where there was the least difference, for that school's students, between the salaries available in government jobs and the salaries available in private firms. As a rough measure of the appearance of the salary gap at each school, we created an index for each school by dividing the mean starting salary for our respondents at that school who took jobs in government, legal services, or very small firms by the mean salary of the respondents at the school who took jobs in larger firms.

Here, as in each of the other measures, there were significant differences among schools, primarily because the mean salaries in private practice—even larger private firms—were much lower for the graduates of schools sending few of their graduates into very large firms. We created a comparable index based on the ratio of salaries in judicial clerkships to salaries in private practice. We then attributed to each person at each school the index for that school.

12. For each school we created a crude index by adding together the median LSAT for its entering students and 10 times the median reported undergraduate GPA. For example, a school at which the entering class had a median LSAT of 38 and a median undergraduate GPA of 3.3 would have an index of 71—that is, 38 + (10 x 3.3) = 71.

13. For this measure, a very small firm was one with 5 or fewer lawyers, and a larger firm was one with 20 or more lawyers.

14. The median expected salaries of students who had accepted jobs with private firms of 20 or more lawyers varied from $40,700 at one Group A school to $63,400 at one Group B school. There was much less difference across schools in the mean expected salaries of students taking jobs in government, legal services, and other public interest work.
B. The Effects of Debts on Decisions about Jobs

1. Debts and Decisions to Take a Judicial Clerkship

As an initial inquiry into the effects of debts, we examined whether people with high debts were shying away from judicial clerkships, since clerkships tend to pay less well than work in private practice (and nearly always pay less well than work in large-firm private practice). The short answer is no.

At both the Group A schools and the Group B schools, no significant relationship appeared between size of debt and whether a person took a clerkship, before or after controls for other factors. Persons with very high debts were as likely to take clerkships as persons with low debts. Among our respondents, the only factor consistently related to obtaining a clerkship was law school grades—the higher the grades, the more likely a clerkship—and even this relationship was not particularly strong. Thus, on the basis of available data, students appear to seize the opportunities for clerkships without regard to the burden of their debts during the clerkship year.

Some persons might expect that debts would have the reverse effect on decisions to clerk—that a canny, debt-encumbered student might seek a clerkship because it could open doors thereafter to the highest-paying jobs.

After controlling for grades, we found no evidence for the reverse effect, either. It is nonetheless possible that two conflicting trends are canceling each other out—that some high-debt students are avoiding clerkships while other high-debt students, with a longer view, are deliberately seeking them out. That is possible, but our data support a more parsimonious explanation: debts are not exerting much influence one way or the other on decisions to clerk.

2. Debts and Decisions to Take Jobs in Other Settings

Unlike judicial clerkships, most other jobs that law students take after graduation last more than one year. We therefore expected that, in general, the salaries known to be available in settings such as large firms or prosecutors’ offices would more strongly affect decisions about jobs than the salaries in judicial clerkships. We also expected that debts would more strongly influence decisions to seek positions in these longer-term settings. Table V reveals the relation between debts and entry into various job settings for the graduates of the Group A and Group B schools.

15. Nor were those with very high debts at either sort of school less likely to take clerkships. Similarly, no significant correlation appears between debt level and decisions to take a clerkship when those without debts are excluded from the analysis.

16. At the Group A schools, the correlation between grade quartile and taking a job as a clerk was -.19 (remember: the higher the quartile number the lower the grades). At the Group B schools, the correlation was -.20. At the Group A schools, but not the group B, women were more likely to take clerkships than men. At neither the Group A nor the Group B schools was taking a clerkship significantly correlated with debt.

17. Some persons who read this report in draft suggested that students at many schools appear to believe their chances for obtaining jobs with firms or other employers will not be improved by working for state court judges. We did not learn anything about the judges the respondents expected to work for.
Table V

Proportions of responding students taking jobs in lower-paying settings, mid-paying settings, and in firms of more than 20 lawyers, by size of educational debts

Proportion expecting to take jobs in:

<table>
<thead>
<tr>
<th>Students with debts</th>
<th>Lower-paying settings*</th>
<th>Mid-paying settings**</th>
<th>Firms of 20+ lawyers***</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No debts</td>
<td>242</td>
<td>24%</td>
<td>24%</td>
<td>52%</td>
</tr>
<tr>
<td>Debts of $1,000-$14,900</td>
<td>174</td>
<td>39%</td>
<td>24%</td>
<td>37%</td>
</tr>
<tr>
<td>Debts of $15,000-$29,900</td>
<td>261</td>
<td>31%</td>
<td>18%</td>
<td>51%</td>
</tr>
<tr>
<td>Debts of $30,000-$39,900</td>
<td>200</td>
<td>25%</td>
<td>14%</td>
<td>62%</td>
</tr>
<tr>
<td>Debts of $40,000-$49,900</td>
<td>154</td>
<td>18%</td>
<td>21%</td>
<td>61%</td>
</tr>
<tr>
<td>Debts of $50,000 or more</td>
<td>165</td>
<td>17%</td>
<td>15%</td>
<td>69%</td>
</tr>
</tbody>
</table>

* Lower-paying settings include government, legal services, public defenders, public interest work, and firms of 5 or fewer lawyers. The median earnings of respondents who had taken jobs in these settings was $29,900.

** Mid-paying settings include firms of 6-19 lawyers, corporate counsel's offices, nonpractice jobs in business, and others not categorized. The median earnings of respondents who had taken jobs in these settings was $37,500.

*** The median earnings of respondents taking jobs in firms of 20 or more lawyers was $60,000.

Before we control for any other factors, if students without debts are included in the analysis, then no consistent linear relationship is apparent between debts and job settings. If, however, those without debts are excluded (on the plausible theory that the no-debt students may come from higher-status families and thus have class-tied reasons for leaning toward larger firms), then there is a consistent relationship between debt and job setting: the higher the debts, the smaller the proportion of students taking jobs in government, legal services, or small firms, and the larger the proportion of students taking jobs in mid-sized and large firms. High debts do seem to accompany decisions to enter the higher-paying settings.

But appearances, of course, are frequently deceiving, and a moment's reflection will reveal a strong reason for suspecting that Table V is deceptive: one would expect the high-debt students to include a higher proportion of students entering large-firm practice not because of high debts themselves but because high debts reflect high tuitions and, within our sample, the high-

18. Using the categories in Table V and excluding students with no debts, chi square = 43.17, \( p < .001 \). The product moment correlation between debts and first-year earnings for students with any debts is .177.
tuition schools are sending great numbers of their graduates into large-firm private practice for reasons that may or may not have anything to do with debts.

Table V does not reflect any of the other factors that might affect job choices. When we consider some of those factors, the data suggest that the relationship of level of debt to career choice is more complex. At the same time, the relationship is still fairly consistent and in the same direction. We performed a series of regressions in which our dependent variables—the phenomena we were trying to understand—were (1) whether or not the respondent expected a job in government, legal services, or a small firm (the three generally lower-paying settings); and (2) whether or not the respondent expected a job with a firm of twenty or more lawyers. (We selected twenty lawyers as the dependent variable because sufficient numbers of the Group A graduates took jobs in such firms to use this as a dependent variable for analyses of both the Group A and Group B schools.) For persons who were going to work the next year as judicial clerks, we used their expected work setting after the clerkship. Because our dependent variables were dichotomous (1/0), we performed the regressions in both unaltered and logit form. We obtained closely similar results in each form and report here on the results from the unaltered form.

As factors that might explain job choice (the control variables), we used the student's debt (measured both by absolute number of dollars and by whether the student had debts above various levels), the student's ranking in class by quartile, presence of a working spouse or partner, and the student's race and sex. As reported above, we also attributed to all respondents three items of information about the particular school they attended: the numbers of employers interviewing at the school in 1988-1989; an index based on the median LSAT and undergraduate grade point average of the school's entering class; and the ratio of the mean starting salary in government, legal services, or very small firms of that school's graduates and the mean at that school of those entering larger firms (the salary-gap ratio). We performed regressions for all

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19. Regression analysis is a form of statistical analysis that permits estimating the relationship between one or more predictive factors and some other numerically quantifiable phenomenon.

20. Within the Group B schools, I also used as a dependent variable whether or not the student entered a firm of over 50 lawyers. The analyses produced nearly indistinguishable results.

21. I also did some regression analysis using expected first-year income as the dependent variable. The findings were close to the same as those reported for the dichotomous variables of job setting, but since large numbers of the Group A graduates had no job and thus did not know what their income would be, many more persons could be included in the analysis by using as the dependent variable the respondent's expected setting of work. Most of those without jobs seemed realistic about their opportunities. As reported below, many more of those without jobs expected jobs in low-paying settings than did those with jobs.

22. The coefficient of the constant term in a logit regression cannot be directly interpreted as a change in probability. For this reason, when results by the two approaches are closely similar, they are more easily interpreted if reported in unaltered form.

23. Because debts may exert little influence until they reach a certain level, we analyzed both debts in dollars and debts above various levels, such as debts over and under $30,000 and $40,000.
nine schools together, for the Group A schools and the Group B schools as
groups, and for each individual school.

*Our most pertinent finding for purposes of this study is that, even after controls,*
educational debt does seem related to job choice, although mildly and weakly, much more
weakly than some other factors. What we find is that, in general, when all students
in our sample are examined together or the Group A students and the Group
B students are examined as separate groups, the higher the student’s debts
the greater the probability of the student’s taking a job in a large firm.\(^2\) The
results of the regressions are displayed in Appendix Tables A1, A2, and A3.\(^2\)
In the analyses of the nine schools as a group, the relationship between size of
debt and entering a large firm is statistically significant \((p < .02)\) both when all
students are considered together and when students without debts are consid-
ered separately. When the Group A and Group B students are considered
separately, the size of debt is significant only when the analysis is limited to
those who have debts \((p < .05)\).

Nonetheless, even though significant, the apparent relationship between
debt and job choice is weak. Specifically, when we look at all respondents with
debts, the data suggest that for each $10,000 increase in a student’s debt, there
is a roughly 3-percent decrease in the probability that the student will take a
job in government, legal services, or a small firm and a 3-percent increase in
the probability of taking a job in a larger firm.

When we look separately school by school, our findings become murkier.
In almost every analysis, the relationship between debt and job choice is in the
expected direction—more debt, greater likelihood of a larger-firm job—but
at only three of the eight schools was the relation of debts to job setting
statistically significant (at the .05 level).\(^2\)

If, as our analysis suggests, the size of students’ debts is related, but only
mildly related, to choice of job setting, what other factors are more strongly
related? This is a study of the effects of debt on job choice, not a study of all the
factors affecting job choice in general. Nonetheless, because further research
is needed to isolate the effects, if any, of debt, some discussion seems desirable
to explain the factors that seem *more* important than debt. They are factors
that will be especially important to control for in any future examination of
the impact of debt. One of them, the most important among the other factors,
helps shed more light on the possible impact of debt.

Of the five pieces of information that we gathered about our individual
respondents, other than the information about educational debt,\(^2\) by far the
most significantly related (and generally, in our analyses, the only one signifi-
cantly related) to students’ selection of job setting was the student’s rank by

\(^2\) In the regressions we performed, debts in dollars almost always proved more significantly
related to choice of job setting than debts above various levels. Thus, in the analyses reported
here, debts in dollars is used as the sole measure of debt to avoid problems of colinearity.

\(^2\) See the third and fourth columns in each table.

\(^2\) One of our nine schools provided no information about grades. Since, as explained below,
grades turned out to be such a critical factor, I did not include this school in the regressions.

\(^2\) Sex, race, marital/partner status, earnings of spouse or partner, law school grades.
quartile within his or her class. See Appendix Tables A1, A2, and A3. Thus, our second major but unsurprising finding: In general, the higher the student's grades while in law school, the greater the probability that the student had taken a job or expected to take a job in a larger law firm and the lower the probability that the student expected a job in government, legal services, or a small firm.

At many of the schools within our sample, particularly among the schools in Group A, the relationship between grades and job setting was powerful, even stunning. At one Group A school, for example, 55 percent of the class members who reported themselves in the top quarter of their class had taken a job or expected to take a job after any judicial clerkship in a firm of 20 or more attorneys, while none of those reporting themselves in the bottom two quarters—not one person—expected to work in such a firm. At another Group A school, 92 percent of those in the top quarter, but only 16 percent of those in the bottom two quarters expected to work in a 20-or-more-attorney firm. At some of the Group B, high-tuition schools there was also a strong relation between grades and entry into the large firms.28

The strong correlation between high grades and entering large firms is hardly a mystery. Every law school placement director acknowledges the substantial weight that many employers accord to grades in the hiring process. Students with high grades have more choices and, when given the opportunity, commonly choose larger firms over smaller firms, government, and public interest work. Exactly why persons with the highest grades prefer the larger firms is less certain. That they do is, of course, completely consistent with the hypothesis that debts are important to their choice. But that students with high grades pick the large firms is also consistent with several other explanations: the higher earnings that are available in the large firms are attractive in themselves without regard to debt, and large firms may be perceived by students as more prestigious, and more advantageous for mobility, for training, and for intellectual challenge.29

The significant place of law school grades in job selection may shed light on the place of debts in job selection. If high grades can be seen as signifying choice and control over job opportunities, then one might expect that, to the extent that debts are playing a role in career choices, they would display their effects more in the decisions of students with higher grades—display themselves more, that is, in the decisions of the students who are free to pick between larger firms and other settings than in the decisions of the students with less control. And there is, in fact, support for this proposition in our data, which leads to a third finding: Considering students at all schools together and controlling for the other factors we have been discussing, high debts are significantly related to job choice among students in the top quarter of the class, are still related but less

28. At one Group B school, 70 percent of those in the top quarter but only 8 percent of those in the bottom two quartiles expected to work in a firm of more than 50 lawyers. Not all Group B schools exhibited such a relationship. At two of the Group B schools, the proportion entering large firms was closely similar across the top three quartiles and fell off only in the fourth quartile. At another, there was no significant difference across the quartiles at all.

29. See Robert V. Stover, Making It and Breaking It (Urbana, Ill., 1988).
strongly so among students in the next quarter, but are not significantly related to job choice among students in the lower half of the class.\textsuperscript{30}

After taking grades and debt into account, none of the other individual data we gathered bore a significant relationship to job setting in our analysis of the Group A schools or Group B schools as groups. When we analyzed each school individually, there were two schools at which women were significantly more likely than men to take jobs in government, legal services, or small firms, and one school at which African-Americans and Latino students were significantly less likely than white Anglo students to take jobs in a larger firm. But no such pattern for either women or minorities appeared at any of the other schools.

When we shift from individual information that may affect opportunity or choice to school information that may affect opportunity or choice, each of the pieces of information about the schools as a whole—numbers of interviewing employers, median LSAT and undergraduate GPA for the class, and ratio of earnings in large firms and other settings—correlates strongly with the other information about schools as a whole, with whether students took jobs in larger firms, and with whether students took jobs in government, public interest work, and small firms. In general, taking jobs in large firms correlates with higher numbers of interviewers at the school, higher mean LSAT and GPA for the school’s entering class, and a greater spread between the salaries of those at the school taking jobs in government and the salaries of those taking jobs in larger firms. Conversely, the reverse relation appeared between these whole-school variables and taking jobs in government, public interest, or small firms.

In regression analyses in which we looked at all Group A schools or all Group B schools or all nine schools together, the one of these whole-school variables that most strongly correlated with job-setting choice was the number of employers who had interviewed at the school in the 1988-1989 school year. Thus a fourth finding: \textit{The larger the number of interviewers at a school, the greater the likelihood of a student’s taking a job in a large firm, and the smaller the likelihood of taking a job in government, legal services, or public interest work.} At the school where there were 54 interviewers, for example, only 16 percent of the respondents expected to work in a firm with 20 or more lawyers, and only 5 percent expected to work in a large firm with more than 50 lawyers. By contrast, at the school where there were 850 interviewers, 74 percent of the students expected to work in a firm of 20 or more lawyers and 61 percent of the students expected work in a firm with more than 50 lawyers.

\textsuperscript{30} For example, among students in the top quartile of the class, there was a 4-percent increase in the probability of taking a job in a large or mid-sized firm for every $10,000 increase in debt, after taking other factors in Appendix Table A1 into account (t-ratio for debt: 2.9; \(p < .01\)). But there was no significant relationship between debt and taking a job in a large or mid-sized firm among students in the bottom two quarters of the class. Within both the high-grades group and the lower-grades group essentially the same pattern held, whether the analysis was limited to students with at least some debt or included all students with and without debt. Even with the students in the top quarter of the class, however, only a small part of the variance is explained by debt. (Considering all students in the top quarter with and without debt, the marginal \(r^2\) for debt in dollars is .022, after other significant factors are taken into account.)
Once we control for the number of interviewers, none of the other whole-school variables explains much additional variance. One small exception is that, when considering all schools as a group, the salary-gap ratio—the measure at each school of the gap between mean earnings in bigger firms and the mean earnings in government, legal services, and small firms—does serve slightly to predict students’ job selection: as our hypothesis had predicted, the narrower the salary gap at a student’s school, the higher the probability of the student’s taking a job in one of the lower-earning settings.31

We must nonetheless exercise great caution in identifying any one or two particular qualities of law schools that are critically important in affecting job decisions or opportunities. We have only nine schools in our sample. We would have to have data from many more schools before we could speak with any confidence about the qualities of schools that seem to affect the job settings chosen by (or available to) their graduates. And, of course, even if it turned out that the number of interviewing employers was a critical predictor, we would still need to explain why some schools attract so many more interviewers than others. There is, within our small sample of schools, a strong correlation between numbers of employer interviewers at each school and the index we developed for each school based on the entering class’s median LSATs and undergraduate GPA,32 but whether number of interviewers is simply a surrogate for employers’ beliefs about the quality of the students we cannot tell from the limited information available to us.

3. Summary of Findings on the Effects of Debts on Job Choice

The study of nine schools suggests a relationship between debts and job choices and suggests that debts may be exerting some influence on job choices, but that, if so, the influence is mild: as debts increase, only a slight decrease occurs in the proportion of students expecting to enter government, legal services, or public interest work, and only a slight increase occurs in the proportion expecting to enter larger firms.

Are we seeing the beginnings of a trend, a trend that could make the effects of debt more and more pronounced over time as tuitions and other law school expenses continue their rapid rise and as the gap between large-firm salaries and other salaries persists or continues to widen? It is possible, in fact, that we have underestimated the effects of debt even today.33 Or is the small apparent effect of debts on individual decisions an illusion? The apparent impact of debt is so slight that it remains possible that some other factors we are not yet able to measure will account for the small relationship between debt and job

31. See Appendix Table A1, columns 1 and 2. For neither the Group A schools nor the Group B schools taken separately does the salary-gap ratio help explain entry into the lower-paying settings. At the Group A schools, but not the group B, the salary gap is mildly related to entry into the higher-paying settings.
32. The correlation is .88.
33. Here is one way that the relationship between debt and job choice may be underestimated. It seems likely that if debt has a relationship to job choice, the relationship will not be the same for everyone. Some students, but far from all, will be affected by debt in making choices
choice. To the extent that economic factors shape job choice, it may be that the effects of the salary gap among settings is so overwhelming that, even if everyone's educational debts were completely forgiven at the end of law school, almost all students would make the same job choices that they do today. Moreover, as we warned earlier, the causal link, if there is one, may run in the opposite direction: prospects of a high-paying job may make students more willing to borrow large sums of money.

At the same time, even if individual debts were eventually proven to bear no relation to job decisions, it would not follow that the rising costs of legal education are having no effect on the changing patterns of students' choices. It is possible that high tuitions contribute, now more than in the past, to a sense that a law degree is a capital asset acquired at a very high cost, an asset that deserves to be exploited for all possible financial return. Such a state of mind, if it exists, might be as pervasive among those with no debts as it is among those with high debts. If so, then even if individual debt exerts little effect on individual choice, the costs of legal education may still be exercising a powerful, indirect influence on the numbers of students willing to consider work in lower-paying settings.

IV. Will These Students Have Difficulties Paying Off Their Loans?

The surveyed students reported their accumulated educational debts. They also reported their expected job settings and, if known, their expected first-year earnings. From this information and other more general writing about affordable debts, we can make some rough assessment of the difficulties, if any, that the students are likely to experience in the first years after law school in paying their loans.

A. Measuring the Burden: How Much Debt Can Law Graduates Manage?

Most educational loans, when assumed, are for 10- to 15-year terms, with interest rates that vary from 8 to as high as 12 percent. At the time of this study, most law students were eligible to borrow up to $7,500 per year of government-guaranteed Stafford Loans at 8 to 10 percent, but additional loans—for example, the Supplemental Loans for Students (SLS loans)—bore a higher interest rate. About jobs; but many others with high debts want to work in large firms for reasons that have nothing to do with their debts and do not fix the amount they are willing to borrow with an eye to the earnings in the large firms. If this is so (and if, as appears from the analysis reported above, debt is nonetheless related to job choice for the sample we have as a whole), then debt must have a stronger relationship to job choice for the members of the subgroup who are susceptible to being affected than appears above.

Consider a hypothetical example. Appendix Table A1 reveals that when all respondents in our study with any debt are analyzed together, there is a 3-percent increase in the probability that a student will take a job in a large firm for each $10,000 increase in that student's debt. If, however, debt and job choice are linked for only a fourth of the sample, then, for each additional $10,000 in debt, we would have to have a 12-percent increase (4 times 3 percent) in the probability that a person in the linked group would take a large-firm job in order to average out to a 3-percent increase overall, at least if we assume that the effects of other factors (such as grades) are the same for the susceptible group as for the others. Unfortunately, our data allow us to determine neither the direction of the relationship between debt and job choice nor the size of the group for whom there is a relationship.
rate. The size of payments a borrower would make month by month over the
term of a loan depended, of course, not only on the rate of interest and the
amount borrowed but also on the number of years over which the loan was to
be paid, and on whether the borrower participated in a graduated-payment
program under which payments were lower in the first years after graduation.

Table VI provides some illustrations of annual and monthly payments for
loans of varying amounts. All the examples assume an interest rate of 9
percent, the rate available to students with government-guaranteed loans who
consolidate their payments. (Only government-guaranteed loans are eligible
for consolidation under current programs.) What varies is whether the loan is
paid over 10 years or 20 years and whether the borrower elects an interest-only
payment plan for the first two years.

<table>
<thead>
<tr>
<th>Loans totaling $25,000</th>
<th>Loans totaling $40,000</th>
<th>Loans totaling $60,000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual (and monthly) payments due under payment plan with:</strong></td>
<td><strong>Annual (and monthly) payments due under payment plan with:</strong></td>
<td><strong>Annual (and monthly) payments due under payment plan with:</strong></td>
</tr>
<tr>
<td>No principal payments during first 2 years*</td>
<td>$2,250/yr. ($188/mo.)</td>
<td>$3,600/yr. ($300/mo.)</td>
</tr>
<tr>
<td>Principal and interest payable over 20 years*</td>
<td>$2,700/yr. ($225/mo.)</td>
<td>$4,320/yr. ($360/mo.)</td>
</tr>
<tr>
<td>Principal and interest payable over 10 years*</td>
<td>$3,800/yr. ($317/mo.)</td>
<td>$6,080/yr. ($507/mo.)</td>
</tr>
</tbody>
</table>

*Terms available through both LAWLOANS Program of HEMAR Insurance Corporation and the Law Access Program of the Law School Admission Council.

Can recent graduates afford to make annual payments of $2,250 or $4,320
or $9,120 toward their loans and still "manage"? The answer, of course,
depends on their income, the other demands on that income, and on what we
mean by "manage." At one extreme, managing can mean being able to pay off
a loan while avoiding bankruptcy. Most writers about educational debt sensi-
bly reject such a narrow view. They appear to ask how much a person can pay
without feeling seriously pinched. In many respects, they seem to be asking a
question about psychological burdens rather than serious financial privation.

At least two different methods have been used to assess the difficulties that
students might have in making payments. The first—and the one most com-
monly used by those who write about educational debt—is to calculate the
debt payments as a percentage of earned income, dividing the total payment
due each year by either pre-tax or post-tax annual earnings. These writers then
recommend limiting borrowing so that no more than a certain percentage of
the borrower's income will be consumed by loan payments. The second
manner ignores percentages. It begins with the student's probable annual
earnings, subtracts from them an estimate of income taxes and Social Security
taxes as well as the annual payments on the loan, and then simply looks to see
how much disposable income is left to live on. How much disposable income is enough can then be judged by any of many living-standard formulas that are available.

The two approaches can produce dramatically different outcomes. A young professional with a high income can make debt payments that constitute a quite substantial proportion of that income but leave plenty left over for living expenses. Because the literature includes both approaches and because we are interested in both the real and the psychological impact of debts, we discuss both ways of calculating impact.

We begin with payments as a proportion of income. Table VII provides an illustration of persons with educational debts of $30,000 and $40,000 and incomes of varying levels and shows the proportions of their gross incomes that would be taken up in paying off their loans under the same three plans we just examined in Table VI.

<table>
<thead>
<tr>
<th>Percent of income paid out</th>
<th>Gross Income</th>
<th>Gross Income</th>
<th>Gross Income</th>
<th>Gross Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25,000</td>
<td>$30,000</td>
<td>$40,000</td>
<td>$60,000</td>
<td></td>
</tr>
<tr>
<td>Assuming loans of $30,000, loan payments as a proportion of gross income under payment plan with:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No principal payments during first two years</td>
<td>10.8%</td>
<td>9.0%</td>
<td>6.8%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Principal and interest payable over 20 years</td>
<td>13.0%</td>
<td>10.8%</td>
<td>8.1%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Principal and interest payable over 10 years</td>
<td>18.2%</td>
<td>15.2%</td>
<td>11.4%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Assuming loans of $40,000, loan payments as a proportion of gross income under payment plan with:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No principal payments during first two years</td>
<td>14.4%</td>
<td>12.0%</td>
<td>9.0%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Principal and interest payable over 20 years</td>
<td>17.3%</td>
<td>14.4%</td>
<td>10.8%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Principal and interest payable over 10 years</td>
<td>24.3%</td>
<td>20.2%</td>
<td>15.2%</td>
<td>10.1%</td>
</tr>
</tbody>
</table>

As illustrated in Table VII, a person with gross income of $40,000 and a debt of $30,000 would expend between 6.8 percent and 11.4 percent of that income on loan payments, depending on the terms of the loan. Much has been written in recent years about the size of the educational debts that borrowers can comfortably handle in relation to their income.34 The percent-

ages of after-tax income that writers believe people can manage as educational loan payments vary widely, but nearly all recommend that borrowers keep themselves to fairly low rates of payment in relation to their income.

Daniere, one of the respected writers in the field, advises students not to assume educational debts greater than 7.5 percent of post-tax first-year income—or roughly 5 to 5.5 percent of gross or pre-tax earnings. Horch, another frequent and well-regarded writer, suggests different percentages for people at different earning levels (somewhat higher percentages as income rises). For professionals at higher beginning salaries, he views 9 percent of after-tax earnings (or roughly 6 to 7 percent of gross earnings) as a manageable level. A 1987 article by Dean John Kramer of Tulane Law School says that “no borrower can afford to repay educational debt in excess of . . . 8 percent of posttax income” (or roughly 5 to 6 percent of gross earnings).

Look at Table VII again. For those who have borrowed $40,000, only persons earning considerably more than $40,000, probably close to $60,000, would stay within what these commentators regard as a safe range—and even then, only if they were eligible for the federal loan consolidation program that lets them make no principal payments in the first few years, with substantially higher payments later. Those who have borrowed $30,000 would have to earn at least $40,000 to stay within the comfortable range.

The Law School Admission Council, in its literature explaining the Law Access Program for consolidating debts, takes a more expansive approach. It assumes that law graduates can afford to make payments representing a significantly higher proportion of their incomes than the other writers recommend. The LSAC recommends to law students “monthly loan payments totaling no more than 10 percent of your gross starting salary.” For law students, 10 percent of gross salary will represent about 14 or 15 percent of post-tax earnings, almost twice as high a limit as that recommended by Horch or Daniere. Under the view of LSAC, the person borrowing $40,000 on the most advantageous terms in the early years could feel comfortable making payments on an income of somewhat less than $40,000 (around $36,000 in

35. See Hansen, supra note 34, at 16; see also Dennis Horch, Determining Student Capacity to Borrow, in Proceedings of College Scholarship Service Colloquium on Student Loan Counseling and Debt Management 77, 78 (1985).
36. Horch, supra note 35, at 78.
38. See Kramer, supra note 3, at 263-64.
40. Id. at 2.
41. The LAWLOANS Program of HEMAR Insurance, which has loaned more than $400 million to law students, makes no recommendation of a percentage of income beyond which students should not burden themselves. In presentations to groups, Kevin Moehn, vice president of HEMAR, suggests not assuming loans that will entail payments exceeding 8 percent of gross income. Conversation with author (Nov. 29, 1990). His recommendation is thus midway between the position of writers like Horch and Daniere and that of Law Access.
fact), as opposed to the income of $55,000 to $65,000 that the other writers would commend. (And those who have borrowed $30,000 could feel comfortable with a gross income of $27,000.)

When we turn to the second way of measuring the effects of debts—not in terms of a proportion of earnings but simply in terms of what is left over after taxes and debt payments—the burden of debt seems rather different and, for most law graduates, less onerous. In a 1989 article, Kramer rethought the position he took in 1987, and argued, cogently, that what ought to concern us most is not the percentage of income that loan payments represent but rather the disposable income still available after the payments. Using the same income figures used in Table VII, Table VIII makes estimates of taxes and calculates disposable income after taxes and after loan payments for persons borrowing $40,000 on the most advantageous plan for repayment that defers principal payments until after the first two years.

Table VIII
Illustration of disposable income after taxes and after loan payments for persons with varying levels of income who have borrowed $40,000

<table>
<thead>
<tr>
<th>Assumed annual gross earnings</th>
<th>Estimated adjusted income after all taxes*</th>
<th>Disposable income after taxes and loan payment on a $40,000 loan**</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25,000</td>
<td>$19,250</td>
<td>$15,650</td>
</tr>
<tr>
<td>$30,000</td>
<td>$22,500</td>
<td>$18,900</td>
</tr>
<tr>
<td>$40,000</td>
<td>$28,400</td>
<td>$24,800</td>
</tr>
<tr>
<td>$60,000</td>
<td>$41,400</td>
<td>$37,800</td>
</tr>
</tbody>
</table>

* Taking into account federal income taxes for a single person, Social Security taxes, and an estimate of state and municipal taxes. See John Kramer, Who Will Pay the Piper or Leave the Check on the Table for the Other Guy, 39 J. Legal Educ. 655, 673-77 (1989).

** Assuming that person chooses payment plan under which all loans are consolidated at 9 percent with no principal payments due during first 2 or 4 years. In first year, on a loan of $40,000, $3,600 in interest would be due.

In Table VII, we saw that a person earning $40,000 with a debt of $40,000 would expend 9 percent of pre-tax earnings (or nearly 13 percent of after-tax earnings) in annual loan payments, assuming the lowest payment plan available—enough to make Daniere and Horch nervous and just inside the outer limits suggested by the LSAC. As Table VIII reveals, however, the same person would still have $24,800 left in disposable income after making all payments on taxes and loans. With a post-tax income of $24,800, a young lawyer could pay $600 a month in rent, $400 a month in car payments and auto insurance, and $500 a month for food (including restaurant meals), and still have almost $600 per month left over for other expenses. Of course, this young lawyer would prefer to hold onto the $300 per month that is going toward loans; still, this is a life that most single Americans would envy. Even if this young attorney

42. See John R. Kramer, Who Will Pay the Piper or Leave the Check on the Table for the Other Guy, 39 J. Legal Educ. 655, 670-87 (1989).
did not opt for a plan that deferred the principal payments, but simply consolidated the loan and paid it over a 20-year term at $360 per month, there is still about $24,000 in disposable income. On this analysis, and at these levels of earnings, the more generous loan limits suggested by the LSAC seem fully justified.

Under even the LSAC's approach, however, the position of those with debts of $40,000 and smaller gross earnings—$30,000 or $25,000 rather than $40,000—is less enviable. For them, $3,600 in debt payments after taxes may well make a significant difference in the quality of life they can lead. If they have no dependents, they will still be better off than most Americans, but some may consider themselves no better off financially than they would have been if they had not gone to law school.

B. Actual Projected Burdens of Debt for Students at the Nine Schools

How many of the graduates in our survey are likely, in fact, to feel discomfort in paying off their loans? We have used both methods of calculation and drawn upon the actual information they provided about their future jobs and expected individual and family earnings.43

For purposes of analysis, we found it helpful to divide the respondents into three groups. The first consists of those taking jobs other than judicial clerkships. For them, our best measure of their probable economic position in their first years after law school is their expected first-year earnings, figures we can compare to the probable size of the loan payments they will be making based on information about their total debts. The second group contains those with judicial clerkships. For this group, like the first, we can look at their expected earnings and probable loan payments during their clerkship, but we give greater attention to their forecasts of the settings in which they expect to work after the clerkship. The third group is made up of those who do not yet have jobs. For them, we report on the setting in which they think they will most likely find work and compare their debts to general information we have about expectable earnings in these settings. Among our respondents at the nine schools, 943 had jobs in hand other than judicial clerkships, 156 had taken judicial clerkships, and 283 had not yet taken a position with any employer.

43. The survey asked several questions to aid in determining the respondents' likely financial position in the year immediately after law school. It first asked the respondents whether they had arranged a job for next year. If they had, it asked in what sort of setting and, if with a firm, what size firm. It also asked them their expected first-year income. If they had not taken a job, it asked in what sort of setting they thought it most likely that they would be working. If they indicated that the job they believed they would have next year was a judicial clerkship, it asked them in addition the sort of setting they expected to work in after the end of the clerkship. Finally, because it also bore on their financial position, the questionnaire at seven of the nine schools asked whether the respondent was living with a spouse or life partner and, if so, what the probable income of that person would be for next year. See questionnaire in Appendix.
Burdens of Educational Loans

1. The Burdens for Those Who Had Accepted Jobs Other Than Judicial Clerkships

At the time of our survey, 66 percent of all respondents had arranged for a job other than a judicial clerkship. In general, those with jobs who attended the lower-cost schools in Group A reported first-year expected earnings substantially lower than those who attended the higher-cost schools in Group B. The mean expected earnings of those who attended the Group A schools was $36,500, as against $54,600 for Group B. The Group B graduates will earn much more on average than those in Group A largely because many more of the Group B graduates have taken jobs in large law firms, and the salaries in the large firms are, in general, substantially higher than those in the smaller firms and other settings where the Group A students more frequently find work.

How much of these expected earnings will be consumed in paying off educational debts? We asked respondents their total accumulated debts, but we did not ask for their expected monthly or annual loan payments because we feared that many either would not know or would not remember what their payments would be. To estimate loan payments in relation to income, we have made alternative assumptions based on the three sorts of payment plans that we have used in our illustrating tables. (See Tables VI and VII.) We then used the two methods of measuring debt burden already discussed—debt payments as a proportion of gross earnings, and net disposable income after taxes and debt payments.

Table IX uses the first approach to measure the burdens of debt. For both the Group A and Group B graduates, it shows our calculations of probable debt payments in relation to earnings based on the actual debts and actual expected earnings of the respondents with debts. The table displays the median loan payment as a percent of reported individual income as well as the proportions of the graduates who will probably be paying more than 8, more than 10, or more than 12 percent of their gross income toward their loans. The 10-percent figure is the LSAC's suggested outside limit on the proportion of income a recent law graduate should expend in loan payments, and all three of the figures—8, 10, or 12 percent of gross income—are substantially higher than the levels recommended by other writers such as Horch and Daniere.

44. See Table I.
45. See supra text accompanying notes 35-36.
### Table IX

Respondents with any debt and with a job next year other than a judicial clerkship: loan payments as a percentage of expected pre-tax earnings, 9 schools, 1989 graduates

<table>
<thead>
<tr>
<th></th>
<th>Median loan payment as a % of pre-tax income* in 1st year</th>
<th>% paying more than 8% of pre-tax income as loan payment</th>
<th>% paying more than 10% of pre-tax income as loan payment</th>
<th>% paying more than 12% of pre-tax income as loan payment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>If all students paid their loans at 9 percent over a 10-year term:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group A schools</td>
<td>120</td>
<td>9.3%</td>
<td>57%</td>
<td>45%</td>
</tr>
<tr>
<td>Group B schools</td>
<td>535</td>
<td>9.5%</td>
<td>59%</td>
<td>46%</td>
</tr>
<tr>
<td>If all students chose 9 percent, 20-year payment plan:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group A schools</td>
<td>120</td>
<td>6.7%</td>
<td>39%</td>
<td>24%</td>
</tr>
<tr>
<td>Group B schools</td>
<td>535</td>
<td>6.6%</td>
<td>35%</td>
<td>20%</td>
</tr>
<tr>
<td>If all students chose 20- or 25-year plan, with no principal payments during first 2 years:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group A schools</td>
<td>120</td>
<td>5.6%</td>
<td>29%</td>
<td>14%</td>
</tr>
<tr>
<td>Group B schools</td>
<td>535</td>
<td>5.6%</td>
<td>26%</td>
<td>12%</td>
</tr>
</tbody>
</table>

*Pre-tax income based on expected income as reported by the respondents.

The first notable aspect of the figures in Table IX is that, although the graduates of the higher-cost schools have generally accumulated larger debts than the graduates of the lower-cost schools, the graduates of the two sets of schools, as a group, will probably end up paying remarkably similar proportions of their gross incomes in debt payments. Whichever payment plan we assume, the median loan payments represent virtually identical proportions of income of the graduates of the two groups of schools.

The second notable point is that, in general, loan payments will constitute a substantial proportion of the gross earnings of most of the respondents with debts. If none of the respondents consolidated their loans, and if all elected to pay them off at 9 percent over a straight 10-year term, nearly half the students with any debt would be paying in their first year more than 10 percent of their gross income toward their loans (see upper part of table). Of course, many students will choose to consolidate, especially those with the largest debts. But, as the table reveals, even if all were eligible for and chose to consolidate under the most favorable payment plan (the plan under which no principal payments are required in the opening years), the median level of payments would still be 5.6 percent of gross earnings or roughly 7 to 8 percent of net earnings.
Burdens of Educational Loans

after taxes, which is roughly the level that Horch and Daniere suggest as the outer limit of comfort in paying debts.

We cannot know how many people will in fact choose to consolidate. Some borrowers are not eligible for the federally supported consolidation programs, and others will be quite reluctant to tie themselves to escalating payments into the distant future (even though they can prepay and even though they would be paying with inflated dollars). Since our goal is to understand who will feel financially strapped in the years immediately after law school, the greatest concern should be for those who will feel strapped even though they take advantage of ways to reduce the initial year’s payments. Looking at the burdens that would be faced if all the respondents picked one of the two lower-payment plans illustrated in the tables (the bottom two sets of figures in Table IX) seems a reasonable measure of the burden.

Look again at that part of Table IX. If we use the measure of burden suggested by the LSAC—that recent law graduates should not pay out each year more than 10 percent of their gross income toward their debt—then between 12 and 20 percent of the Group A students with any debts and between 14 and 24 percent of the Group B students with any debts (the underlined numbers in the table) will be paying out during their first year at a higher level than the LSAC recommends. That is roughly one in five or one in six of all the students with debts who had jobs in hand at graduation (not counting the judicial clerks).

What sorts of debts and debt burdens are being carried by these students with high payments in relation to their incomes? Quite high. Consider the students, 89 in all, who will pay out 10 percent or more of their gross income, even if they select the plan that defers principal payments. At the lower-cost Group A schools, members of this group report that they expect to earn, on average, $25,300 in their first year, while carrying debts averaging $35,800. They will thus be making annual payments averaging $3,222 or 12.7 percent of their pre-tax income. The comparable students from the Group B schools earn more—an average of $37,700—but pay out much the same proportion of their income. They report debts averaging $55,000 and will make annual payments averaging $4,950, payments which represent an average of 13.1 percent of their gross income. By any of the recommended standards, for these students at the Group A and Group B schools, this is a substantial burden.

How students get into this position of heavy debt in relation to earnings is a question that is impossible to answer with any certainty based on our data. A part of the answer is probably very simple: many students borrow what it takes to get them through school; they then seek the highest-paying jobs they can find (consistent with other goals) and, even so, end up with very high payments in relation to the earnings available to them.

Some support for this simple explanation (and some additional light on it) may be provided by the strong relationship we find between law school grades

46. As noted earlier, only federally guaranteed loans can be consolidated under the advantageous terms. Loans from private lenders or loans from a law school’s own loan funds are not eligible for the federal consolidation programs.
and debt as a percentage of income. At both the Group A schools and the Group B schools, those students who, by our computations, will be paying 10 percent or more of their income toward their loans had, on average, substantially lower grades than the students at the same schools with lesser burdens in relation to their incomes.  

A plausible explanation for this relationship is that those with lower grades at the end of law school start borrowing in their first year at the same level as everyone else, keep on borrowing at that level even after they do less well academically than their classmates, and by the end of law school have borrowed as much as (or more than) the rest of their classmates but do not as frequently obtain work in the highest-paying settings.

By our first measure of debt burden—payments due as a proportion of expected gross income—we have now seen that about a fifth or a sixth of the

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### Table X

<table>
<thead>
<tr>
<th></th>
<th>Median gross income</th>
<th>Median disposable income after taxes*</th>
<th>Median disposable income after debt payments**</th>
<th>% with disposable income less than $20,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A schools</td>
<td>102</td>
<td>$34,000</td>
<td>$24,480</td>
<td>35%</td>
</tr>
<tr>
<td>Group B schools</td>
<td>521</td>
<td>$57,000</td>
<td>$38,190</td>
<td>8%</td>
</tr>
</tbody>
</table>

* Taking into account federal income taxes for a single person, Social Security taxes, and an estimate of state and municipal taxes. See Kramer, Who Will Pay the Piper or Leave the Check on the Table for the Other Guy, 39 J. Legal Educ. 655, 673-77 (1989).

** Debt payments based on multiplying each student's reported total debt by .09, the interest rate on consolidated loans. Under the LAWLOANS program students can defer principal payments for 2 or 4 years, if their loans qualify for deferral.

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47. At the Group B schools, for example, of those with debt who will be paying less than 8 percent of gross income toward their debts (a safe group, in the LSAC's view), 37 percent reported themselves in the top quarter of their class and only 34 percent in the bottom two quarters. By contrast, of the pressed group who will be making payments equaling more than 10 percent of their gross income, only 3 percent were in the top quarter of their class and 71 percent were in the bottom two quarters. The story was much the same at the group A schools. There, of those with debts who will probably be paying less than 8 percent of gross income toward their debts, 45 percent were in the top quarter of their class and only 26 percent were in the bottom two quarters, whereas, of those who will likely be paying 10 percent or more, only 17 percent were in the top quarter and 61 percent were in the bottom two quarters.

48. One puzzlement is that, at the Group B schools, there is a strong correlation between total educational debt (not just debt in relation to income) and law school performance—the lower the grades, the more the student is likely to have borrowed by the end of law school. The pattern holds for both white and minority students. One possible (but untested) explanation for this pattern is that the students with the higher grades obtain the higher-paying summer jobs or part-time jobs during law school and find they need to borrow less. Another explanation (also untested) is that, at some schools, students with higher grades receive more scholarship money and thus need not borrow as much.

49. Another possible explanation for this relationship between grades and debt burden is that those with high debts are more likely than those with lower debts to have paid employment during law school and that such employment interferes with academic achievement.
students with debt at the Group A and Group B schools will be expending 10 percent or more of their first-year earnings in debt payments. When we shift to our second measure of burden and look simply at how many dollars of disposable income our respondents are likely to retain after paying their taxes and their loan installments, our findings are, as expected, somewhat different. As Table X reveals, by this method, if we again assume that all students take the most favorable consolidation plan that permits them to defer principal payments, somewhat more of the Group A students—but many fewer of the Group B students—seem likely to experience financial difficulties. (The results are only slightly different if students choose the 20-year consolidated payment plan in which they make both interest and principal payments.50)

Table X reveals that, even after paying their taxes and loan installments, the median borrower at the more expensive Group B schools still has almost $35,000 in disposable income. That median borrower is, as we have seen before, paying roughly 6 percent of gross earnings toward educational debts but still has lots of income left over. Only 8 percent of the Group B students with jobs other than judicial clerkships end up with disposable income of less than $20,000. Even the group that we were worrying about a few pages back—the graduates paying 10 percent or more of their gross income toward their loans—will, if they are graduates of one of the Group B schools, typically end up with more than $20,000 in disposable income.51

Table X also reveals that even the more modest-earning graduates of the Group A schools will have, as a median, $22,550 of disposable income after taxes and debt payments. Among Group A’s graduates, but not Group B’s, there is nonetheless a substantial group of persons—35 percent of the students with debt—who, after taxes and debt payments, will have disposable income of less than $20,000. (In fact, 14 percent will have disposable income of less than $15,000.) Their modest net income in comparison to most of their classmates is not, of course, due primarily to their loan payments. These are persons with comparatively low base salaries, most of them about to begin jobs in small firms or government. A few of those whom we expect to have disposable income of less than $20,000 expect to have gross income before taxes of less than $20,000, and several more will have net income after taxes but before their debt payments of less than $20,000.52 Still, even if the debt payments are not the largest factor in their lower income, the payments, whatever they are, will have a larger effect on their actual standard of living than the payments of most of those with much higher incomes.

50. If all students chose to consolidate their loans at a flat rate across the 20 years (instead of deferring principal payments), the students at the Group A schools would have median disposable incomes of $22,350 (rather than the $22,550 we estimate in Table XI) and the students at the Group B schools would have median disposable incomes of $34,167 (rather than the $34,833 we estimate in the table.) Only slightly more of the students at each group of schools would have disposable incomes of less than $20,000.

51. At the Group B schools, as reported above, the group members who will be paying 10 percent or more of their gross income toward their loans had, on average, gross income of $37,700 and after-tax income of around $28,300, so that with debt payments averaging $4,950, they would have, on average, disposable incomes of $23,350.

52. Fourteen persons (or roughly 2 percent) of the 633 borrowers for whom we had earnings and debt information had net earnings after taxes of more than $20,000 but disposable income of less than $20,000 after making their loan payments.
2. The Burdens for the Judicial Clerks

Judicial clerkships pay modestly among starting jobs for lawyers. Within our sample, the great majority of the graduates with clerkships—about 75 percent—expected to earn between $25,000 and $30,000 during their clerkship year. Not surprisingly, many will be making large debt payments in relation to their earnings. For the purposes of this study, however, it makes little sense to devote much attention to the economic position of clerks because clerkships typically last only one year and the comparatively low clerkship earnings are little or no guide to the probable earnings of the clerk in the years that follow. On average, students with clerkships at nearly all the schools we surveyed had higher grades than the students entering any other type of work. Many of the clerks expect to go into highly-paid work in large private firms.

For this reason, we asked persons with clerkships both their expected earnings during their clerkship and their most probable setting for work after they completed their clerkship. Among our respondents, 177 persons, 14 percent of all respondents, expect to be working in a judicial clerkship, roughly the same proportion at the group A and group B schools. As Table XI reveals, many clerks will be paying a substantial part of their earnings toward their debts during their clerkship year, even if they have consolidated their loans and have elected the lowest payment plan. In fact, even on this assumption, about a quarter of the clerks from the Group A schools and over half the clerks from the Group B schools will be expending 10 percent or more of their gross earnings toward their loan payments. More Group B than Group A clerks will pay out a high percentage of their earnings because the clerkships available to the Group A graduates pay as much, on average, as the clerkships available to the Group B graduates, but (as we have already seen), the graduates of the Group B schools have, in general, borrowed much more and face higher loan payments.

In some regards, Table XI overstates the annualized burden on the clerks, since, under many programs, no loan payments are due until six months after graduation. What the table displays is the proportion of monthly earnings that will be consumed once payments start coming due.

As reported earlier, at neither the Group A nor Group B schools did students seem to be avoiding clerkships because of the prospect of heavy debt payments. The table above bears further witness to the attraction of clerkships: that roughly 58 percent of the Group B school clerks will be paying more than 10 percent of their gross earnings toward their loan payments during their clerkship year strongly suggests that, for many students, the prospect of heavy

53. At the eight schools for which we had information about academic performance, over half of those who had taken jobs as judicial clerks reported themselves in the highest quartile in their class.

54. At the time of the survey, 156 had accepted jobs as clerks; an additional 21 did not have a clerkship yet but expected to receive one. Half of these were at one Group A school where state judges apparently wait until late spring of the third year before picking clerks.

55. See supra Section III.B.1. (Debts and Decisions to Take a Judicial Clerkship).
debt payments during that year serves as little, if any, deterrent to working for a judge.

Table XI
Information about debt burdens of judicial clerks during their clerkship year, 9 schools, graduating classes 1989

<table>
<thead>
<tr>
<th></th>
<th>Group A schools</th>
<th>Group B schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number expecting to work as judicial clerks</td>
<td>52 of 345 (15%)</td>
<td>125 of 954 (13%)</td>
</tr>
<tr>
<td>Median earnings</td>
<td>$28,500</td>
<td>$28,000</td>
</tr>
<tr>
<td>Percentage of clerks with some debt</td>
<td>80%</td>
<td>73%</td>
</tr>
<tr>
<td>Among clerks with debts:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assuming lowest payment plan,* debt payment during clerking year as a percent of gross monthly earnings (median)</td>
<td>6.5%</td>
<td>11.0%</td>
</tr>
<tr>
<td>Assuming lowest payment plan, percent who will expend toward loan payments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>more than 8% of gross earnings</td>
<td>28%</td>
<td>66%</td>
</tr>
<tr>
<td>more than 10% of gross earnings</td>
<td>24%</td>
<td>58%</td>
</tr>
<tr>
<td>more than 12% of gross earnings</td>
<td>16%</td>
<td>43%</td>
</tr>
</tbody>
</table>

* Payment plan under which students consolidate loans and pay interest at 9 percent but no principal payments during first 2 or 4 years.

What will the clerks do after they complete the clerkship? Is it safe to assume that they will then be in a position to pay off their loans with comfort? About a sixth of the clerks either did not respond to the question asking for their most probable work setting after their clerkship or said that they didn’t know where they would be working. Some who did indicate a probable work setting indicated more than one. Of those who forecast where they would work, two-thirds planned to work in private practice, but a surprisingly high number indicated a plan to work in one of the three settings that typically offer lesser earnings than others. Of the clerks who graduated from the Group A schools, 40 percent said that they planned to work in government, legal services (or other public interest setting), or a small firm. Of the clerks who graduated from the Group B schools, 35 percent said that they planned to work in one of these settings.

Since we cannot know the earnings that clerks will have in the jobs they take after their clerkships, the most we can do toward identifying those who may feel strained in paying their loans is to look at the debts of the 52 clerks who said they plan to enter one of the three generally lower-paying settings. The 52 included many people with substantial educational debts. As Table XII displays, 35 percent of those expecting to work in lower-paying settings have debts of $30,000 or more. Nearly all were at Group B schools. The median

56. About 15 percent of those with plans indicated two possible post-clerkship settings. Seven people indicated they planned to work in a firm or government, or in a firm or legal services. We counted these people as planning to work in government or legal services respectively.
debt of those who had debts of $30,000 or more was $43,000. If a former clerk earned, say, $33,000 in a government agency or small firm in the first year after the clerkship and had a debt of $43,000, about 13 percent of that pre-tax income would go toward loan payments, even assuming the lowest payment plan during the years right after law school. That is well above the LSAC maximum recommended level of 10 percent. A person with a lower debt of $30,000 but the same earnings of $33,000 would be paying about 10 percent of pre-tax earnings, right at the LSAC recommended maximum.

Table XII

| Educational debts of clerks who plan to work in government, legal services, or small firms after the clerkship, 9 schools, 1989 graduates |
|---|---|---|
| Proportion with educational debts of |
| $30,000 or more | $40,000 or more | $50,000 or more |
| N | percent of total | N | percent of total | N | percent of total |
| 52 | 18 | 35% | 10 | 19% | 4 | 8% |

For those with debts over $30,000, the median debt is $43,000.

3. The Burdens for Those Who Did Not Have Jobs at the Time of the Survey

At the time of the survey in April of their last year of law school, 21 percent of the respondents—283 persons in all—answered “no” to the question “Do you have a job arranged for next year?” Forty percent of the graduates of the Group A schools and 15 percent of the graduates of the Group B schools reported that they did not have jobs.

The most worrisome group among those who said that they did not have a job were those who had no answer to the follow-up question that asked what sort of job they thought they would most likely take. Fifteen percent of those without jobs left a blank here or answered that they did not know. As a group, those without jobs who indicated no probable job setting had lower law school grades than those without jobs who indicated where they expected to work (and much lower grades than those with jobs in hand). A disproportionate number of those without jobs and without stated expectations were members of a minority group. It may well be that this group without jobs or plans will include a substantial number who will have difficulty finding a job as a lawyer at all. (The National Association for Law Placement reports that, of the class of

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58. Thirty percent of the persons without jobs and without expectations were nonwhite, in comparison to 16 percent of the respondents in the survey as a whole.

57. Among those with jobs in hand, only 11 percent placed themselves in the bottom quartile of their class. Among those who were without jobs but who reported a particular setting in which they thought it likely that they would be working, 26 percent reported themselves in the bottom quarter. But, among those without a job and without any stated plan for a job, 46 percent reported themselves in the bottom quarter (and another 27 percent reported themselves in the third quarter).
1988 at American law schools, 7 percent were unemployed six months after graduation and another 2 percent were working only part time.\(^{59}\)

Among those without jobs, concerns do not stop with those who indicated no expected setting for work. As a group, those without jobs who did report an expected setting had very different expectations for the jobs they would eventually obtain than did those who had already arranged a position—different expectations of direct relevance to this inquiry. Among those with jobs in hand,\(^{60}\) 39 percent of those attending the lower-cost Group A schools and 12 percent of those attending the higher-cost Group B schools indicated that they had taken jobs in a small firm, government, or legal services, the three lower-paying settings. By contrast, of those who had not yet taken a job, 67 percent of those attending the Group A schools and 33 percent of those attending the Group B schools indicated that they expected to find a job in one of the three lower-paying settings.

Why did so many more of those without a job by April of their third year expect a job in one of the lower-paying settings? Briefly, there are probably two principal reasons. First, government agencies, legal services offices, and very small firms are frequently either unable to make commitments on new positions many months in advance or unwilling to make commitments until the recent graduate has passed the bar. Second, within schools, those without jobs tended to be persons with lower academic records.\(^{61}\) As we have seen above, those with higher grades tended to have taken the jobs as judicial clerks; they were also more likely to have obtained jobs as associates in the larger firms.

Whatever the reason, a large number of those without jobs—130 in all—expected to take jobs in one of the three lower-paying settings and, as we have seen, an additional 43 persons without jobs did not report any expected setting for work—a total of 173 persons.

Since few of these 173 persons without jobs guessed what they would be earning in the year after their graduation, we have the same problem in calculating how much of their earnings are likely to be tied up in loan payments that we do for the judicial clerks in their jobs after their clerkships. As with the clerks, the best we can do, as revealed in Table XIII, is to identify those who indicated a likelihood of being in a lower-earning setting or who gave no indication of any job setting and see how many of them reported high debts.

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60. Excluding those with jobs as clerks.
61. Of those without jobs, 6 percent were in the top quartile of their class and 30 percent were in the bottom quartile. Of those with jobs, 36 percent were in the top quartile and 11 percent were in the bottom quartile.
Table XIII

Educational debts of persons without jobs who indicated that they were likely to be working in government, legal services, or small firms, or who indicated no job plans at all, 9 schools, 1989 graduates

<table>
<thead>
<tr>
<th>Proportion with educational debts of:</th>
<th>$30,000 or more</th>
<th>$40,000 or more</th>
<th>$50,000 or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total N percent of total N percent of total N percent of total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>154*</td>
<td>50 31%</td>
<td>23 15%</td>
<td>13 8%</td>
</tr>
</tbody>
</table>

For those with debts over $30,000, the median debt is $38,000.

*There were 173 persons without jobs who indicated an expectation to work in government, legal services, or a small firm, or who gave no indication of any plans, but only 154 of this group answered the question about debts.

As Table XIII reveals, 31 percent of those without jobs who did not have plans or whose expectations were for work in a small firm, government, or legal services will be carrying debts of $30,000 or more. If it takes many months for some of this group to find employment, some will find that loan payments are coming due before they have earned any income with which to make the payments.62

4. Summary of the Debt Burdens

Three groups of graduating students have been identified who may well feel pinched in paying off their debts: (1) those with jobs the next year in positions other than judicial clerkships whose debt payments, assuming a consolidated 20-year payment plan, are likely to exceed 10 percent of their estimated gross incomes;63 (2) those working the next year as judicial clerks who have debts of $30,000 or more and who plan to work, after their clerkship, 62. The burdens may be less severe for those within this group who have working partners, but only 22 percent of the group do have a working partner, a smaller percentage than is the case for the more fortunate group who already had jobs in hand.
63. See supra Section IV.B.1. In that section (see particularly Table IX) are illustrations based on alternative assumptions about the payment plans students might elect. The two consolidated payment plans assure lower monthly payments for students. Under the most advantageous of these plans (as measured solely by keeping the payments due as low as possible during the initial year), students would pay interest only—that is .09 times their debt—during their initial year (see last illustration in Table X). Under the other consolidated plan, students would make both interest and principal payments but would spread their payments out over 20 years. Under this plan, annual payments equal 10.8 percent of the total debt. (See middle illustration in Table X.) Because the consolidation plans are available only for federally guaranteed loans and because, even for those who can consolidate, the 9-percent rate is available only to those whose loans were predominantly at the lowest interest rates among the federal loans, it seems inappropriate to assume that everyone will be paying (or could choose to be paying) at the lowest rate. For purposes of this section, we have made a middle assumption. We have assumed that all are making payments each year not equal to 9 percent or 10.8 percent of their total loan amount, but rather equal to 10 percent of their total loan amount. That rate of payment is higher than the 9 percent maximally advantageous rate, but still quite a bit lower than the 15.2 percent of the total loan amount that is paid annually by those who do not consolidate and pay over a 10-year period. (See first illustration in Table X.)
in a small firm, in government, or in legal services; and (3) those who had no job at the end of their third year, had debts of $30,000 or more, and either reported no expected setting of work or reported expecting to work in a small firm, in government, or in legal services.

The good news from our study is that, as Table XIV shows, of the 1,172 persons for whom we have adequate information about debts, 84 percent fit into none of these three groups. Roughly 20 percent of our respondents had no educational debt at all, and of the others who did and who fit into none of the three risk groups, the median person (among those who did have a job and knew their earnings) will be paying between 5 and 7 percent of gross earnings in debt payments, assuming one of the debt-consolidation plans. That is comfortably within the range suggested by the Law School Admission Council. For the great majority of these borrowers, their loan payments will be a monthly annoyance, but not a significant burden. For many of this group, perhaps most, loans will have made law school possible, and the jobs available to them after law school will have made the payments easily affordable. For them, law school will have been a very good deal.

| Table XIV |
| Debt burdens in first year after law school faced by respondents at 9 schools, 1989 graduates |
| N | % |
| Students with no debts | 230 | 20% |
| Students with debts who should not experience substantial burden in paying off their loans | 750 | 64% |
| **Three groups likely to be burdened by debt:** |
| Persons with job next year who will expend over 10 percent of gross income in loan payments* | 124 | 10% |
| Judicial clerks with high debts planning to work after clerkship in lower-pay setting** | 18 | 2% |
| Persons without job for next year who have high debts and expect to work in lower-pay setting*** | 50 | 4% |
| **Total** | 1172 | 100% |

* Excluding judicial clerks. Assumes loan payments made on a consolidated plan at 9 percent interest. See explanation in note 62.

** High debt defined as a debt of at least $30,000; lower-pay settings include government, legal services, public defenders, public interest firms, and firms of fewer than 10 lawyers.

*** For definitions of high debt and lower-pay settings, see preceding note. Also included here were persons without jobs next year and without any reported expected setting for a job.

64. See supra Section IV.B.2.
65. See supra Section IV.B.3.
66. Compare Table IX, which includes all students with debt.
67. See Ehrenberg, supra note 7.
As in every tale of plenty, however, a few will do less well than others. By our rough calculations, 192 persons will be in one of the three groups we identify as likely to feel somewhat burdened. Those 192 persons represent about 16 percent of all respondents to the survey—14 percent of the respondents at the Group A schools and 17 percent of the respondents at the Group B schools. Many of those in the burdened group do not yet have a job for next year. Of those who do have jobs, those with jobs other than clerkships will be paying, on average, 13.9 percent of their gross income toward their loans or nearly 20 percent of their net income after taxes.

Our calculations of the group likely to feel burdened are necessarily very rough. In some senses, they are conservative and underestimate the numbers likely to feel burdened. No graduates with a job the next year are included unless, if they chose to repay their loans on a 20-year consolidated basis, they would make payments that represented 10 percent or more of their gross income. Some of our respondents with high debts will not be eligible to consolidate all of their debt. And many of our respondents eligible for consolidation who expect to earn $25,000 or $30,000 and who will pay 8 or 9 percent of their gross earnings will also feel squeezed. Similarly excluded are persons who did not have a job at graduation but who reported expecting a job in a mid-sized or large firm. If the members of this group obtain the jobs they are expecting, most will probably experience no burden at all. But some of this group have very high debts and will probably feel pinched even if they obtain a job in a high-paying setting. And others will not secure the jobs they expect and will end up, contrary to their hopes, in lesser-paying settings.

In other important senses, however, we have probably overestimated the size of the burdened group. We have done so in at least three ways. First, for those who reported their expected earnings, we have calculated the group likely to feel burdened by reference to the percentage of their gross earnings going toward their loan payments, rather than in terms of their probable disposable income after making loan payments. For example, we are counting as burdened 31 persons who reported that they will have gross earnings of $40,000 or more because they had very large loans and will be paying more than 10 percent of their gross income toward their loans, above the line suggested by the Law School Admission Council. If the studies of others are a guide, members of this group are likely to feel that their loan payments cut deeply into their disposable income. And yet, even after making large loan payments and paying all taxes, almost all of this group earning $40,000 or more will have disposable incomes of more than $20,000, and will be able to live quite comfortably, at least in the view of most Americans.

A second way in which the figures for burden are likely to be overstated is that our calculations of burden are based solely on the earnings of the

---

68. The 172 potentially burdened students also represent about 20 percent of all the respondents with any educational debt.
69. This group earning over $40,000 whom we have overcounted is probably roughly equal in size to the undercount, described above, caused by excluding persons earning $25,000 to $30,000 whose debt payments, though they feel substantial to them, will represent slightly less than 10 percent of their gross earnings.
respondent and do not count the earnings of any spouse or life partner of the respondent. (Hereafter we will call any such person, married or not, a "partner.") At seven of the nine schools we surveyed, we learned whether the respondent had a partner and, if so, the respondent’s estimate of the earnings the partner would have during the coming year.

Roughly 40 percent of the persons in our sample had a partner, although not all of the partners were employed. Some partners were students; others were the full-time caretakers of children. But the average expected earnings of those partners who were employed were high—around $34,700.70 In fact, eleven of our respondents had partners with expected earnings of $100,000 or more during the coming year. A person sharing income with a high-earning partner can afford, of course, to expend much more than 10 percent of his or her own earnings on loan payments and still live extremely comfortably.

If we take the earnings of partners into account, how many of our respondents will still be in one of the high-burden groups? At the seven schools for which we had partner information, there were 131 persons who fit into one of our three high-burden groups. Of these 131, 28 had partners with expected earnings of $15,000 or more in the coming year. These people—roughly 21 percent of our high-burden group, as calculated on the basis of their individual earnings—should probably not be seen as burdened at all.71 (On the other hand, about 10 percent of the respondents whom we placed in the high-burden group on the basis of their individual income should probably be treated as doubly burdened, for they had partners whom they expected to be either unemployed or employed at low earnings during the coming year.)

In future studies of debt burdens, more attention needs to be given to partners, the partners' own educational debts, and partners' earnings. We lacked information from two of the schools we studied; we did not learn about the partners' educational debts; and we did not learn whether partners had prospects, like most of the lawyers, of higher and higher earnings over time. Moreover, no question we could plausibly have asked on our brief questionnaire would have revealed the stability of the relationship between the respondent and the partner and thus the degree to which the respondent could depend on the partner's contributions over the term of the repayment.

The third way in which we have overstated the debt burden is by our emphasis on the first year after law school. Even if our forecast of that first year proved fully accurate, for most of the respondents that year will be the lowest-earning year in their career. In later years, as their incomes rise, their debt payments (except for those who choose a scheme of graduated payments) will remain constant and will constitute a smaller and smaller proportion of their income. As time goes by, many who are now single will marry or form long-

70. Not surprisingly, women tended to have higher-earning partners than men. Among men with partners, 24 percent had partners whom they expected to have no earnings next year; of those with working partners, the average partner was expected to earn $27,700. By contrast, only 11 percent of women with partners had partners whom they expected to have no earnings next year and, for the working partners, the average expected earnings was $42,400.

71. Interestingly, somewhat fewer of those whom we calculate to have high burdens on the basis of their individual incomes had partners than did those who do not bear high burdens (suggesting in itself that few persons are building up large debts in the expectation that a well-off partner will help make the payments).
term relationships with other working professionals, and their debt payments will decline even further in relation to their family income.

So why worry? The worry, to the extent that there is one, is that not everyone will share in the prosperity. Some of those who took the highest-paying jobs in firms in 1989 are surely among those who have now left the firms and found a much tighter job market. Some others within our survey were not sharing in the prosperity even at the point of graduation, and some will not come to share in it at all. We began this summary section by pointing to the 16 percent of our respondents who seem likely to feel burdened in their

Table XV

<table>
<thead>
<tr>
<th>High and low debt burden* groups: 9 law schools, 1989 graduates</th>
<th>Proportion of group likely to feel some burden in making debt payments*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Groups with few high-burden students:</td>
<td></td>
</tr>
<tr>
<td>Students who said they were in top quartile of their class</td>
<td>N: 315</td>
</tr>
<tr>
<td>Students expecting jobs in large firms (50-150 attorneys)</td>
<td>7%</td>
</tr>
<tr>
<td>Students expecting jobs in very large firms (more than 150 attorneys)</td>
<td>10%</td>
</tr>
<tr>
<td>Groups with many high-burden students:</td>
<td></td>
</tr>
<tr>
<td>Students who said they were in bottom quartile of their class</td>
<td>N: 172</td>
</tr>
<tr>
<td>African-American and Latino students</td>
<td>28%</td>
</tr>
<tr>
<td>Persons expecting jobs in government (not counting judicial clerkships)</td>
<td>24%</td>
</tr>
<tr>
<td>Persons expecting jobs in legal services or other “public interest” work</td>
<td>30%</td>
</tr>
<tr>
<td>Persons expecting jobs in small firms (1 to 10 attorneys)</td>
<td>125</td>
</tr>
<tr>
<td></td>
<td>24%</td>
</tr>
</tbody>
</table>

* For purposes of this table, students were considered likely to experience burden only if they fit into one of the three following categories: (1) They had jobs next year in positions other than judicial clerkships and their debt payments, assuming a consolidated 20-year payment plan, were, by our calculations, likely to exceed 10 percent of their estimated gross incomes (see note 62); or (2) they were working next year as judicial clerks, had debts of $30,000 or more, and said that they planned to work after their clerkship in a small firm, in government, or in legal services; or (3) they had no job at the end of law school, had debts of $30,000 or more, and either reported no expected setting of work or reported expecting to work in a small firm, in government, or in legal services.

** Quartiles were self-reported at several schools. As can be seen from this table, many more respondents placed themselves in the first quartile than in the last.
first year after law school. If we look more closely at this burdened group, we will see that it includes a number of persons who may also have the least promising prospects for high earnings in the future. Consider Table XV, which reports on groups that include few persons likely to feel burdened and groups that include a higher proportion likely to feel burdened.

As Table XV reveals, persons with low grades in law school and persons who are African-American or Hispanic were substantially more likely than their non-Hispanic white classmates to be in one of the high-burden groups. They were more likely than others to have no job by the end of law school or to have a job (or expect a job) in one of the lower-paying settings. At the Group B schools in our survey, they also, on average, had accumulated higher debts than their classmates. Our worry, of course, is that their economic problems will not be transitory—that they will endure for the particular students we have been studying and persist for future similar graduates of the same schools.

The same concerns can be voiced for those students, minority and other, entering government, legal services, and small firms. As Table XV shows, a high proportion of the students entering or expecting to enter these settings will probably feel somewhat burdened by their debts in their first year after law school. In fact, based on the figures they gave us about their expected first-year earnings, 25 percent of those entering government or legal services (excluding the judicial clerks) and 17 percent of those entering small firms will probably have disposable incomes of less than $15,000 after paying taxes and loan installments. The problem for many of the persons entering these settings is likely to persist beyond the first year. Among our respondents, starting salaries in government, legal services, and other public interest positions were, on average, less than half the starting salaries at the very large firms. Moreover, annual pay increases of 8 percent or more have, at least until the recent recession, been common in the very large firms, but not, by any means, in government, legal services, and other public interest positions. In these latter settings, workers have been fortunate if their annual raises have kept pace with increases in the cost of living.

Some confirmation of the difficulties facing those with low grades and those in certain job settings comes from a mail survey of the 1987 graduates of one of our Group B schools conducted in January 1990. The survey primarily concerned the jobs the respondents had taken, but, near the end, respondents were asked for their total educational debts on graduation and, on a 7-point scale, the difficulty they had encountered during the two and one-half years. In a regression in which being in one of the high-burden groups was a binary dependent variable and race/ethnic group and law school grade quartile were controls, law school quartile is strongly related to being in a high-burden group, and race, after controls, bears little relation. The relationship between being in one of the three high-burden groups and being black, Hispanic, or Native American is still positive, but most of the significance is accounted for by grades.

Among students with debts at the Group B schools, African-Americans, Hispanics, and Native Americans had an average debt of $39,200, while non-Hispanic whites had an average debt of $34,500.

See supra note 6.

72. In a regression in which being in one of the high-burden groups was a binary dependent variable and race/ethnic group and law school grade quartile were controls, law school quartile is strongly related to being in a high-burden group, and race, after controls, bears little relation. The relationship between being in one of the three high-burden groups and being black, Hispanic, or Native American is still positive, but most of the significance is accounted for by grades.

73. Among students with debts at the Group B schools, African-Americans, Hispanics, and Native Americans had an average debt of $39,200, while non-Hispanic whites had an average debt of $34,500.
years since graduation in paying off their loans. Category 1 on the scale was labeled “no difficulty at all” and category 7 was labeled “a great deal of difficulty.” Of those with debts, over a quarter put themselves in category 1, but 33 percent placed themselves in categories 4 through 7. Most likely to report difficulty, not surprisingly, were those with the highest debts, but even after taking the size of debts into account, those with the lowest grades in law school and those who had taken jobs after law school in government (not including judicial clerkships) or in legal services were significantly more likely than others to say that they had encountered difficulties.

A final way in which the burdens of debt are unevenly distributed is that some schools have many more graduates likely to feel pinched than other schools. At one of our Group A schools, only 5 percent of the students fit within one of the three burdened groups. This was the school with the lowest tuition among our nine schools and the school whose graduates reported the lowest average debt burdens. By contrast, at one of the Group B schools, 26 percent of the students seem likely to be burdened. This school had a high tuition and, among the Group B schools, the lowest proportion of graduates entering large firms. We warned at the beginning that we did not have a representative sample of law schools in our study. Our findings about the uneven distribution of burdened students among schools give a basis for special concern for the graduates of schools with comparatively high tuitions that send comparatively few graduates into jobs in the highest-paying settings.

V. Conclusions and Suggestions

We in law teaching have much for which to be grateful. Despite the large sums that students are borrowing, the great majority of the graduates of the nine schools we studied—and probably the great majority of law school graduates in general—were, as of 1989, taking jobs that would permit them to pay their educational loans without serious discomfort.

We nonetheless have two causes for concern. The first is that a significant minority of the graduates in our survey seem likely to feel quite pinched in making their loan payments in their first years after law school. The pinched group is likely to include disproportionate numbers of the African-American and Hispanic graduates and disproportionate numbers of the graduates of some schools. The second is that there is now some evidence, thin but measurable, of a relationship between job choices and size of debts and thus some equivocal evidence that the prospects of high loan payments may be driving some students away from jobs in government, legal services, and public interest work.

The prospects for the next several years are not particularly encouraging. During 1990, 1991, and 1992, many private firms and government agencies
Burdens of Educational Loans

hired fewer beginning lawyers than they had in the recent past. Entry salaries in many settings either were frozen at the level of the year before or rose at a slower pace than they had over the preceding several years. At the same time, at most schools, the amounts of money students were borrowing apparently continued to rise. At one of the Group B schools, for example, reported starting salaries in firms rose barely 3 percent between 1989 and 1992, but during the same period the proportion of graduates with high debts—debts of $45,000 or more—rose from 8 percent to 25 percent of the class, and the proportion with very high debts—debts of $60,000 or more—rose from 1 percent to 11 percent of the class. Similarly, the proportion of the class with no job at the point of graduation rose from 5 percent to 19 percent of the class. In a survey of the graduating class at this school in April 1992, the significant majority of those with debts of $45,000 or more believed that they would have difficulty in paying off their loans.76 I am certain from talking with financial aid and placement staff at other schools that the picture is even more worrisome at most private law schools.

What can law schools do about the burdens of debts and the possible effects of debts on job choice? In some senses, not much. Law schools have no control over the demand for new lawyers or over the salaries employers will pay. They do control tuition increases but have limited control over most of the operating costs that lead them to increase their tuitions.

What law schools can do is quite modest. One small, constructive step is for schools to learn more about their own graduates. The huge study being launched by the Law School Admission Council to examine the law school experience and the bar passage experience of minority and white law students will provide, as a valuable by-product, an opportunity to learn more about the size and effects of students’ debts.77 In the meantime, individual schools can easily replicate what we have done here. They can match up their students’ reports of their first jobs with information about the students’ grades and loans and learn whether, among their own school’s graduates, a relationship appears between debts and job choices. They can also use the approaches discussed here to learn whether large numbers of their graduates will be facing worrisome debt burdens in relation to their probable incomes.

A second step is for law schools to strive to be as informative as possible to their students about the burdens they are likely to face from their loan payments. Most schools, perhaps all, try to help students calculate what their

76. The respondents were asked, “How much difficulty do you believe it is likely you will experience in paying off your educational loans?” They were asked to circle a number between 1 and 7, with 1 representing “no difficulty” and 7 representing “a great deal of difficulty.” Of students with debts of $45,000 or more, 64 percent put themselves in category 5, 6, or 7, and 35 percent put themselves in category 6 or 7. Some groups were especially worried: 87 percent of those who had not yet found a job and 79 percent of those taking or expecting jobs in government, legal services, or very small firms put themselves in category 5, 6, or 7.

77. The study began with the law school class that started in the fall of 1991 and will, in the end, follow about 7,000 law students from a large number of schools through law school and for at least two years after law school. More information can be obtained from Linda Wightman, Vice President for Research, Law School Admission Council.
debt payments will be in relation to their income. Students with substantial
debts who hope to enter government, legal services, or very small firms often
worry throughout law school about comfortably making ends meet after they
graduate. Our study suggests that their concern is justified, but that the
concern should not be exaggerated. A challenge for law schools will be to
provide these students candid information about their probable debt burdens
and about ways to ameliorate those burdens, without unduly discouraging the
students from holding onto their aspirations.

A more delicate challenge is posed in providing advice to students with low
grades, for these students may have arrived at law school with aspirations for
high-paying jobs and have already borrowed, by the end of their first year, on
the basis of their aspirations. At schools at which there is a strong relationship
between grades and higher-earning job opportunities—a relationship we
found at all of our lower-tuition, Group A schools and at many of our Group B
schools—financial aid advisors need to warn students with low grades (per-
haps at the beginning of their second year) about the probability that they will
have more burdensome debt payments in relation to their incomes than their
classmates with higher grades.

Even more delicate is the task of providing counseling to minority students.
If a particular law school knows, from past experience, that its minority
students have, in general, attained substantially lower law school grades than
other students and that students with lower grades have difficulties in finding
high-paying employment, it then has a fairly solid basis for predicting, from
the outset of law school, that minority students who borrow heavily are likely
to have special financial difficulties in paying off their loans. Few law schools
will feel comfortable advising their entering minority students that they are
likely to have narrower career opportunities than their majority classmates. To
do so risks undermining the self-confidence of students already likely to feel
uncertain. If schools are unwilling to be candid with entering minority stu-
dents about the risks of financial difficulties, then they need to work especially
hard to provide scholarships or grants to minority students to reduce the
amounts of debt with which they graduate. A school that both fails to warn and
fails to provide relief of some sort lacks both courage and moral integrity.

Some schools have responded to the problem of declining numbers of
graduates entering public service or public interest work by creating programs
that permit students to defer payments on their loans or that provide direct
support from the law school for paying off the loans.78 These programs are
often known as "debt-management" or "loan-forgiveness" programs. This
study's finding of a relationship between job choices and debts may suggest
that loan-forgiveness programs are a useful way to reduce the impact of debts
on job selection.

We need, however, to be careful not to overstate the conclusions of this
study. The evidence is not yet strong enough to be certain that reducing the

78. See David H. Vernon, Education Debt Burden: Law School Assistance Programs—A Review
dread of large loan payments will cause many students to decide to take a public service job. Even if further research demonstrates more conclusively that debts are deterring some students from public service, it remains likely that a high proportion of the students who apply for a school’s loan-forgiveness program will be students who would have taken public service jobs even if the forgiveness program hadn’t existed. If a law school decides to adopt a loan-forgiveness program, it should do so only in small part in the hope of inducing many students to hold onto a plan of public service they would otherwise feel forced to abandon, and in larger part on other defensible grounds for adopting such programs—for example, that they will deliver a valuable general message about the worthiness of public service work or that they will help relieve the burden of loan payments for those who take public service jobs.
APPENDIX

Questionnaire distributed to graduating classes at nine schools, April 1989

SURVEY OF GRADUATING CLASS

1. Do you have a job arranged for next year? _____Yes _____No

2. Whatever your answer to question 1, in what sort of setting will you be working (or think it is most likely that you will be working) next year?
   a. _____ judicial clerkship.
   b. _____ solo practice.
   c. _____ practicing law in a firm that has approximately _____ other lawyers. (Fill in approximate number.)
   d. _____ practicing law in a government agency or prosecutor’s office.
   e. _____ practicing law in a legal services, public defender or other nonprofit “public interest” organization.
   f. _____ practicing law in a business or financial corporation.
   g. _____ practicing law in some other setting _________________________
   h. _____ not practicing law, working (or studying) in some other setting: _________________________

3. If you have a judicial clerkship, what sort of setting do you expect to work in after completing the clerkship? (Use letter from question 2, above. If a private firm, indicate approximate expected size.) _________________________

4. If you know, what will be your approximate salary next year? _________________________

5. Do you have a spouse/living partner? _______. If yes, what would you estimate will be his/her approximate earnings next year? _________________________

6. Approximately how much contractually enforceable debt do you now have, in total, from tuition and living expenses of college, law school and other graduate studies? _________________________

7. What is your approximate cumulative grade point average in law school? (e.g., 2.7, 3.2) _______

8. What is your gender? ___ female ___ male

9. What is your race/ethnic group?
   ___ Asian/Oriental            ___ Native American
   ___ Black/African-American   ___ White/Caucasian
   ___ Hispanic/Latino          ___ Other: __________
APPENDIX TABLE A1

Factors that relate to students' expectations to enter jobs in government, legal services, or public interest work, or that relate to expectations to enter jobs in mid-sized or large firms

All Nine Schools

<table>
<thead>
<tr>
<th></th>
<th>All students</th>
<th>Debtors only</th>
<th>All students</th>
<th>Debtors only</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>who expect lower-paying job* (N=1,097)</td>
<td>who expect lower-paying job* (N=87)</td>
<td>who expect higher-paying job** (N=1,097)</td>
<td>who expect higher-paying job** (N=877)</td>
</tr>
<tr>
<td>Debt/$10,000</td>
<td>-0.011</td>
<td>-0.028</td>
<td>0.016</td>
<td>0.031</td>
</tr>
<tr>
<td>T-ratio</td>
<td>1.61</td>
<td>3.23</td>
<td>2.30</td>
<td>3.50</td>
</tr>
<tr>
<td>p&lt;</td>
<td>.11</td>
<td>.002</td>
<td>.03</td>
<td>.001</td>
</tr>
<tr>
<td>Grade quartile***</td>
<td>+0.09</td>
<td>+0.10</td>
<td>-0.12</td>
<td>-0.13</td>
</tr>
<tr>
<td>T-ratio</td>
<td>7.65</td>
<td>7.52</td>
<td>9.63</td>
<td>9.49</td>
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<tr>
<td>p&lt;</td>
<td>.001</td>
<td>.001</td>
<td>.001</td>
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<tr>
<td># of interviewing employers/100</td>
<td>-.031</td>
<td>-.032</td>
<td>.057</td>
<td>.060</td>
</tr>
<tr>
<td>T-ratio</td>
<td>6.05</td>
<td>5.36</td>
<td>10.2</td>
<td>9.82</td>
</tr>
<tr>
<td>p&lt;</td>
<td>.001</td>
<td>.001</td>
<td>.001</td>
<td>.001</td>
</tr>
<tr>
<td>Salaries in government, very small firm as % of larger firm (x100)</td>
<td>+0.005</td>
<td>+0.004</td>
<td>-0.003</td>
<td>-0.002</td>
</tr>
<tr>
<td>T-ratio</td>
<td>3.08</td>
<td>2.36</td>
<td>1.82</td>
<td>1.07</td>
</tr>
<tr>
<td>p&lt;</td>
<td>.01</td>
<td>.02</td>
<td>.07</td>
<td>.28</td>
</tr>
<tr>
<td>Adjusted r²</td>
<td>14.6%</td>
<td>16.2%</td>
<td>23.7%</td>
<td>27.0%</td>
</tr>
</tbody>
</table>

* The lower-paying settings were government, legal services, and firms with 5 or fewer lawyers.

** The higher-paying settings were firms of 20 or more lawyers.

*** Students in the first quartile have the highest grades. Thus, the higher the number of a student's quartile the lower the student's grades.
### APPENDIX TABLE A2

Factors that relate to students' expectations to enter jobs in government, legal services, or public interest work or that relate to expectations to enter jobs in mid-sized or large firms

**Group A Schools Only***

<table>
<thead>
<tr>
<th></th>
<th>All students who expect lower-paying job** (N=251)</th>
<th>Debtors only who expect lower-paying job** (N=195)</th>
<th>All students who expect higher-paying job*** (N=251)</th>
<th>Debtors only who expect higher-paying job*** (N=195)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt/$10,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>+.019</td>
<td>-.022</td>
<td>+.010</td>
<td>+.067</td>
</tr>
<tr>
<td>T-ratio</td>
<td>.84</td>
<td>.71</td>
<td>.568</td>
<td>2.78</td>
</tr>
<tr>
<td>p &lt;</td>
<td>.40</td>
<td>.49</td>
<td>.58</td>
<td>.01</td>
</tr>
<tr>
<td>Grade quartile****</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>+.16</td>
<td>+.16</td>
<td>-.17</td>
<td>-.16</td>
</tr>
<tr>
<td>T-ratio</td>
<td>5.41</td>
<td>4.76</td>
<td>7.59</td>
<td>6.34</td>
</tr>
<tr>
<td>p &lt;</td>
<td>.001</td>
<td>.001</td>
<td>.001</td>
<td>.001</td>
</tr>
<tr>
<td># of interviewing employers/100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>-.746</td>
<td>-.760</td>
<td>+.721</td>
<td>+.666</td>
</tr>
<tr>
<td>T-ratio</td>
<td>3.45</td>
<td>3.16</td>
<td>4.19</td>
<td>3.59</td>
</tr>
<tr>
<td>p &lt;</td>
<td>.001</td>
<td>.002</td>
<td>.001</td>
<td>.001</td>
</tr>
<tr>
<td>Salaries in government, very small firm as % of larger Firm (x100)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>+.003</td>
<td>+.005</td>
<td>-.004</td>
<td>-.007</td>
</tr>
<tr>
<td>T-ratio</td>
<td>1.06</td>
<td>1.65</td>
<td>1.98</td>
<td>2.79</td>
</tr>
<tr>
<td>p &lt;</td>
<td>.29</td>
<td>.10</td>
<td>.05</td>
<td>.01</td>
</tr>
<tr>
<td>Adjusted $r^2$</td>
<td>14.3%</td>
<td>14.4%</td>
<td>23.8%</td>
<td>24.8%</td>
</tr>
</tbody>
</table>

* For an explanation of the Group A schools, see Table I supra.

** The lower-paying settings were government, legal services, and firms with 5 or fewer lawyers.

*** The higher-paying settings were firms of 20 or more lawyers.

**** Students in the first quartile have the highest grades. Thus, the higher the number of a student's quartile the lower the student's grades.
APPENDIX TABLE A3

Factors that relate to students’ expectations to enter jobs in government, legal services, or public interest work or that relate to expectations to enter jobs in mid-sized or large firms

Group B Schools Only*

<table>
<thead>
<tr>
<th></th>
<th>All students who expect lower-paying job**</th>
<th>Debtors only who expect lower-paying job**</th>
<th>All students who expect higher-paying job***</th>
<th>Debtors only who expect higher-paying job***</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(N=846)</td>
<td>(N=682)</td>
<td>(N=846)</td>
<td>(N=682)</td>
</tr>
<tr>
<td>Debt/$10,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>-.008</td>
<td>-.017</td>
<td>+.012</td>
<td>+.021</td>
</tr>
<tr>
<td>T-ratio</td>
<td>1.27</td>
<td>2.04</td>
<td>1.59</td>
<td>1.99</td>
</tr>
<tr>
<td>p&lt;</td>
<td>.20</td>
<td>.04</td>
<td>.10</td>
<td>.05</td>
</tr>
<tr>
<td>Grade quartile****</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>+.07</td>
<td>+.08</td>
<td>-.10</td>
<td>-.12</td>
</tr>
<tr>
<td>T-ratio</td>
<td>5.36</td>
<td>5.67</td>
<td>6.93</td>
<td>6.97</td>
</tr>
<tr>
<td>p&lt;</td>
<td>.001</td>
<td>.001</td>
<td>.001</td>
<td>.001</td>
</tr>
<tr>
<td># of interviewing employers/100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>-.020</td>
<td>-.015</td>
<td>+.047</td>
<td>+.048</td>
</tr>
<tr>
<td>T-ratio</td>
<td>2.90</td>
<td>1.96</td>
<td>5.88</td>
<td>5.14</td>
</tr>
<tr>
<td>p&lt;</td>
<td>.01</td>
<td>.05</td>
<td>.001</td>
<td>.001</td>
</tr>
<tr>
<td>Salaries in government, very small firm as % of larger Firm (x100)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>+.001</td>
<td>+.003</td>
<td>-.002</td>
<td>-.006</td>
</tr>
<tr>
<td>T-ratio</td>
<td>.29</td>
<td>.693</td>
<td>.382</td>
<td>1.34</td>
</tr>
<tr>
<td>p&lt;</td>
<td>.78</td>
<td>.50</td>
<td>.70</td>
<td>.18</td>
</tr>
<tr>
<td>Adjusted r²</td>
<td>5.0%</td>
<td>5.9%</td>
<td>12.5%</td>
<td>15.4%</td>
</tr>
</tbody>
</table>

* For an explanation of the Group B schools, see Table I supra.

** The lower-paying settings were government, legal services, and firms with 5 or fewer lawyers.

*** The higher-paying settings were firms of 20 or more lawyers.

**** Students in the first quartile have the highest grades. Thus, the higher the number of a student’s quartile the lower the student’s grades.