

Could Tuition Hikes Force More Law Grads Onto BigLaw Path?

By **Xiumei Dong**

Law360 (September 13, 2022, 4:44 PM EDT) -- As the price of attending law schools continues to escalate, the financial burden on law students could further intensify the competition for BigLaw jobs, industry experts say, pointing to the already widened salary divide within the legal sector.

The estimated cost of attendance, which includes tuition, living expenses and fees, has surpassed \$100,000 at several elite law schools, with Columbia Law School in New York leading the pack at \$110,450 for the current academic year, according to the numbers disclosed on universities' websites.

Those budgets, however, only cover the living costs for the nine-month school year. In many cases, the total cost of legal education could likely exceed the "sticker price" when accounting for the accrued interest of student loans and future tuition increases, said Josh Holt, founder of BigLaw Investor, which provides financial advice to attorneys.

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Josephine M. Bahn

Cozen O'Connor

With the tuition rise also driving up students' loan debts, Holt said he anticipates more law graduates will consider the BigLaw career path as they seek to expedite their loan payments.

"It's becoming more and more common to say, 'I'm going to go work in BigLaw for three years, and then I'm going to transition to do something else, something maybe that I initially wanted to do,'" he said.

With more law graduates competing for BigLaw jobs, Eliza Stoker, executive director of Major Lindsey & Africa's associate practice group, noted that law firms are going to get "even choosier" about first-year associates.

"And all of those very, very competitive associates who don't land where they thought they should, right out of the gate, are going to be even more anxious to make that first lateral move," Stoker continued, expecting the lateral hiring market to be even more active as a result.

Several industry experts acknowledge that many law schools offer scholarships to help ease student financial pressures. But they added that the competitive job market still pushes many students toward the highest-ranked law schools, even if they have to pay top dollar.

"I think we're starting to see some increased disparities in students who are graduating debt-free against those who are increasingly having \$200,000 or more in debt," said University of Iowa law professor Derek Muller, who sparked a discussion over law school tuition last month when he tweeted about the latest cost estimates for attending Columbia.

Muller also said that graduates with higher debts would be more incentivized to go into large law firm jobs and, therefore, would likely have more limited career options than those who don't carry as much debt.

"There's no question that increased debt is a major concern about the well-being of recent graduates and their ability to have a satisfying career," he added.

According to data compiled by the Education Data Initiative, as of 2021, about 74% of law school students have graduated with student loans, with the average amount totaling about \$160,000. And **a 2021 survey** by the American Bar Association and AccessLex Institute found that many young attorneys are stressed and struggling to pay off their six-figure student loans, often delaying major life milestones like marriage or children.

"It is basically, if not entirely, it's a home that you're mortgaging, and you're betting your entire career and much of your adult life, frankly, on paying it off," said Josephine Bahn, chair of the American Bar Association Young Lawyers Division, who also carries six-figure student loans.

After over five years of government service, Bahn decided to transition to private practice as an associate at Cozen O'Connor in January. She said her move was a bet on herself as a way of paying off the debt, but at the same time, she was drawn to Cozen for the opportunity to gain the skills she needed to become a trial lawyer.

Bahn, however, added that the debate of whether to go to private practice is a "constant push and pull that every young lawyer that has that kind of debt load has to deal with and reconcile."

"I can count on two fingers the number of people that I know that were successful in getting public service loan forgiveness," Bahn said. "And I can count on many more fingers and toes [the] people that left the government to go in-house or somewhere else."

According to ABA's survey, roughly 80% of the loan borrowers indicated that their student debt influenced their career or job choice. More than 50% of these graduates said that salary was a greater factor in their job selection than they anticipated upon entering law school.

Borrowers will have the option of taking advantage of President Joe Biden's student debt relief plan that cancels up to \$20,000 in student loans, said LeAndra Ross, a regional director with AccessLex. However, because the relief is limited to individuals making less than \$125,000 per year or families earning less than \$250,000, she noted that those who have decided to take a BigLaw path would not qualify.

A surge in demand for legal talent this year has pushed entry-level salaries at BigLaw to \$215,000 per year. Meanwhile, the **median salary** for attorneys at law firms of all sizes was \$131,500 for the 2021 class, and the median salary for all employment types for the same year was around \$80,000, according to the National Association for Law Placement.

Biden's plan does include other proposed changes that could bring relief to big student loan borrowers like lawyers, Ross added. The U.S. Department of Education proposed a new income-driven repayment plan that caps monthly payments for undergraduate loans at 5% of a borrower's discretionary income — half the rate borrowers must now pay under most existing plans.

Ross said it essentially means that the student loan borrowers would help eliminate "negative amortization," where any interest the borrower fails to pay in a given month is added to the principal on the loan.

"We're talking about thousands of dollars in the long run that can be saved for the borrower dependent on their total loan debt," Ross said. She added that the debt relief plan could also eliminate the taxes on forgiven portions, although details of the proposal haven't been released.

"So, it is going to be interesting to see for law graduates once more details are released — particularly those law graduates whose debt is comprised of also undergraduate debt — how that is going to be calculated for them," Ross said.

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