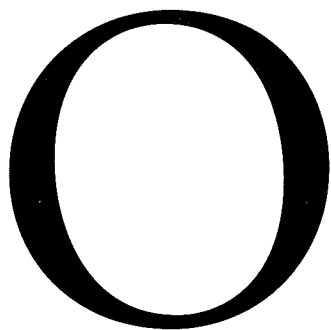


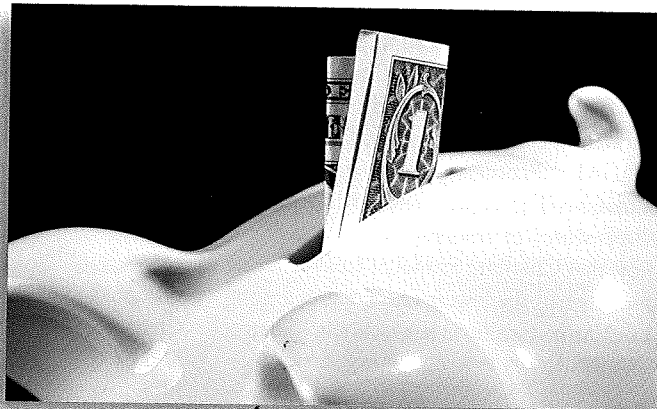
Infilaw and Student Debt

JERRY HARTZELL



On August 13, 2014, the *Atlantic* published an article by University of Colorado law professor Paul Campos titled “The Law-School Scam.”¹ The

focus of the article was Florida Coastal School of Law, a for-profit law



school owned and operated by Infilaw. Infilaw is the company that also owns and operates the Charlotte School of Law, a for-profit law school in Charlotte.² Charlotte School of Law is the largest law school in North Carolina; most of its graduates seek licensure in North Carolina.

The thesis of the *Atlantic* article was that Infilaw’s three law schools, “among the largest law schools in the country,” have achieved their size “by taking large numbers of students that almost no other ABA-accredited law school would consider admitting,” and that students attending the Infilaw schools are taking on large law school debt which many of them will have little prospect of being able to repay.

I forwarded a copy of the *Atlantic* article to Catharine Arrowood, president of the North Carolina Bar Association, and received a responsive email that attached a document that Charlotte School of Law’s dean, Jay Conison, “prepared and gave [the Bar Association] permission to freely distribute.” This document, which stated that it “outlines the errors and mischaracterizations” of the *Atlantic* article, included the following assertions:

- “[Infilaw’s priorities] are to respond to

the long overdue need for change and to open up legal education and the profession to groups who historically have had limited access.”

- “The student bodies at Infilaw schools are among the most diverse of any law schools in the country.” Charlotte School of Law is “ranked among top schools for diversity...”

- “[A]n entire body of research...has concluded that law school provides a strong return on investment.”

In an effort to understand the issues, I attempted to dig into data concerning Charlotte School of Law, as well as the six other law schools in North Carolina. That data is summarized below.

Enrollment—The following data is compiled from information contained on law schools’ American Bar Association Standard 509 Information Reports (“ABA”) for 2012-14.³

<u>Law School</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Campbell	453	422	442
Charlotte	1,392	1,410	1,267
Duke	660	647	666
Elon	327	291	281
NC Central	583	611	595
UNC	741	720	667
Wake Forest	476	506	501

Degrees Awarded—Charlotte School of Law awards more *juris doctor* degrees than any other North Carolina law school. In the 2013-14 academic year, Charlotte granted 415 JDs; the North Carolina law school with the second highest number of JDs during 2014 was UNC with 242. Source: ABA 2014.

Attrition—Charlotte School of Law had the highest attrition of any North Carolina law school: 172 dropouts (32.1%) from the first-year class:

Law School	Number	%
Campbell	8	7
Charlotte	172	32
Duke	1	1
Elon	21	20
NC Central	70	29
UNC	8	3
Wake Forest	3	2

Source: ABA 2014. Dropouts from second-year and third-year classes were substantially lower than from the first-year class. At Charlotte, 30 students (7%) and seven students (2%) dropped from the second- and third-year classes, respectively. At NC Central, 11 students (6%) and one student (1%) dropped from the second- and third-year classes. No other law school had more than ten upper-class dropouts. *Id.*

LSAT Scores of 2014 Entering Students—The average and 25th percentile LSAT scores of students entering in 2014 show that Charlotte School of Law's entering students had the lowest LSAT scores among the North Carolina law schools. Source: ABA 2014.

Law School	Median LSAT	25th Percentile
Campbell	152	149
Charlotte	142	138
Duke	169	166
Elon	148	145
NCCU	144	141
UNC	161	157
Wake Forest	161	157

Tuition—Charlotte's tuition is near the average charged by North Carolina law schools. Source: ABA.

Law School	2014-15 Tuition
Campbell	\$38,645
Charlotte	\$41,348
Duke	\$55,588
Elon	\$37,924
NCCU	\$11,708
UNC	\$22,560
Wake Forest	\$42,526

Pass Rate on Bar Exam—The pass rates on the North Carolina bar exams for first-time takers, obtained from the North Carolina Board of Law Examiners, show Charlotte School of Law to have a lower pass rate than other North Carolina law schools. Source: calculations from data supplied by NC Board of Law Examiners.

Law School	2012	2013	2014
Campbell	94%	83%	86%
Charlotte	65%	60%	57%
Duke	81%	94%	84%
Elon	74%	63%	67%
NC Central	59%	63%	75%
UNC	88%	80%	86%
Wake Forest	87%	75%	78%
Out-of-state law schools	70%	66%	58%
Overall average	75%	69%	69%

Student Loan Debt—The ABA Reports do not include information about student loan indebtedness. However, *US News and World Report* publishes data on law schools that includes "average indebtedness of 2013 graduates who incurred law school debt" and "percent of grads with debt."⁴

Law School	<i>US News</i> Average Debt	<i>US News</i> % with Debt
Campbell	N/A	N/A
Charlotte	\$135,466	95
Duke	\$125,549	60
Elon	\$108,290	89
NCCU	\$81,944	96
UNC	\$92,726	81
Wake Forest	\$112,457	90

By multiplying the *US News* figure for average debt times its percentage of graduates with debt, and in turn multiplying this times the number of members of the 2012-13 graduating class size, it is possible to estimate the debt load that North Carolina law schools generated with their 2012-13 graduating classes.

Law School	2012-13 Number of Graduates	Aggregate Debt of 2013 Graduates (\$ million)
Campbell	136	N/A
Charlotte	354	\$46
Duke	241	\$18
Elon	122	\$12
NCCU	170	\$13
UNC	248	\$19
Wake Forest	158	\$16

If we assume Campbell's graduating students had an aggregate student debt load of \$14 million, the *US News*-based total law school student debt load for the 2012-13 graduating class from the seven North Carolina law schools would come to \$138 million.

However, there are two reasons this estimate, at least as applied to Charlotte School of Law, seems to understate aggregate student debt load.

First, the aggregate figure is calculated by reference to the number of *graduates*, not to the number of *students*. As noted in "Attrition" above, some law schools, particularly Charlotte, have substantial numbers of dropouts, particularly from the first-year class. Dropouts would incur less student debt than graduates, but some substantial number of students who drop out doubtless incurred some amount of law school debt.

Second, the Charlotte School of Law's website contains student debt information that I did not note in the websites of any of the other North Carolina law schools. CSL's website states: "The median amount of debt for program graduates is...\$164,724."⁵ During the early fall of 2014 the CSL website stated, "The median cumulative program debt for Charlotte School of Law graduates between July 1, 2012, and June 30, 2013, is as follows: federal student loan debt: \$155,697 [and] private student loan debt: \$20,018..."

These "median" figures are roughly \$30,000 to \$40,000 higher than the *US News* "average" numbers set out above. In response to my inquiry, Charlotte's Dean Conison indicated he could not offer any explanation for the difference between the CSL website figure and the *US News* figure, as he was not familiar with the manner in which *US News* compiled its number.⁶ The difference may simply be that the *US News* reference to "average" may refer to a number that is calculated as the "mean," which is a different calculation than a "median" figure.

In considering the "median" figures CSL supplies, however, it is important to note that these numbers do not include interest accrued while attending law school.⁷ Student loans accrue interest during the time a student attends law school, even though repayment does not typically commence until after graduation.⁸ A graduating law student will have accrued almost three years' interest on the first semester loan disbursement, will have accrued approximately two and a half years of interest on the second semester loan, and so forth.

Using 7% as the interest rate,⁹ the interest that would have accrued during a student's attendance at Charlotte School of Law from September 1, 2010, through June 1, 2013, would bring median law school debt for the 2013 Charlotte School of Law graduates to

\$197,240. Using the more recent Charlotte figure for median debt (\$164,724), the interest that would accrue during attendance at CSL would bring median debt for 2014 Charlotte School of Law graduates to \$184,903.¹⁰

Repaying Law School Debt—According to the Federal Student Aid Repayment Estimator,¹¹ the 2013 median Charlotte student program debt of \$197,240, accruing interest at 7% and repaid over the standard ten year student loan repayment term, would require monthly payments of \$2,290. The 2014 median CSL debt of \$184,903, accruing interest at 7% and repaid over the standard ten year term, would require monthly payments of \$2,147.

These would, of course, be in addition to any other student loan repayment obligations, such as for undergraduate education.

There are other options for repaying student indebtedness by stretching the loan over a longer period of time or graduating repayments. These options are simply means of deferring repayment, and interest on unpaid balances continues to accrue at around 7% for recent graduates. There is also a 25-year student loan forgiveness program, but this program has not yet been implemented by tax legislation that is necessary to make it workable.¹²

Finally, loan forgiveness is available under the Public Service Loan Forgiveness Program after a borrower has made 120 monthly payments while working full-time “with a federal, state, or local government agency, entity, or organization or a not-for-profit organization that has been designated as tax-exempt by the Internal Revenue Service (IRS) under Section 501(c)(3) of the Internal Revenue Code (IRC).”¹³

Value of Legal Education—Dean Conison asserted that a body of research “has concluded that law school provides a strong return on investment.” The sole cite in support of this assertion is titled “The Economic Value of a Law Degree, PowerPoint Presentation,” dated May 18, 2013.¹⁴ While “The Economic Value of a Law Degree” has been the subject of a great deal of commentary,¹⁵ apparently the article has not been published except in draft form on the Internet.

To make a longer discussion short, it appears that no research shows, one way or the other, whether (or for how many students) education at a school such as Charlotte School of Law would have a positive economic value.

Nor does any research address the issue of how many Charlotte School of Law attendees, particularly attendees with the lower qualifications of the school’s recent entering classes, will be able to repay the large amount of student debt they incur to attend the school.

Some Comments

I have no knowledge or opinion as to the quality of the education being provided at Charlotte School of Law. I have been advised of multiple lawyers who have had experience with graduates or interns from Charlotte School of Law who have been quite capable. Charlotte is fully accredited by the American Bar Association; indeed, Dean Conison acted as the reporter for an ABA task force on the future of legal education.¹⁶

But Charlotte School of Law is unusual in that it has so many students, so many dropouts, and so many failures on the bar exam, even as such a large portion of its student body incurs so much student loan debt. CSL appears to be acting as a rational profit-maximizer, selling its for-profit product to as many customers as it can.

Charlotte’s students are buying Infilaw’s education product on credit issued by the United States government. Those Charlotte Law students who remain through graduation will go into debt at a median level of \$197,240 (2013 figure) or \$184,903 (2014 figure) for their legal education. The debt is not dischargeable in bankruptcy.¹⁷ To repay that debt would require payments of over \$25,000 per year for ten years, or reliance on the ten-year Public Service Loan Forgiveness, or reliance on 25-year forgiveness program that has not yet been finalized.

Law school debt is substantial and widespread. Among North Carolina law schools, Charlotte School of Law is, by a substantial margin, the largest source of this debt. ■

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Endnotes

1. theatlantic.com/features/archive/2014/08/the-law-school-scam/375069.
2. infilaw.com/our-schools.
3. The Standard 509 Reports for all schools for the years 2011-2-14 are at abarequireddisclosures.org.
4. grad-schools.usnews.rankingsandreviews.com/best-graduate-schools/top-law-schools/grad-debt-rankings. This data comes from voluntary reports to *US News* by substantially all law schools. Data for Campbell was not

available. The methodology used in gathering data and reporting information is not disclosed.

5. charlottelaw.edu/admissions/gainful-employment-aba-required-disclosures (last visited January 19, 2015).
6. Email from Dean Conison to the author, October 2, 2014.
7. *Id.*
8. While some undergraduate education loans (“Direct Subsidized Loans”) do not accrue interest during a student’s attendance in school, loans for graduate school are typically “Direct Unsubsidized Loans” or “Direct PLUS Loans,” each of which accrues interest from the time loan funds are disbursed. studentaid.ed.gov/types/loans. Also see tuition.io/blog/2014/03/student-loan-interest-explained-accrues-capitalizes-drives-debt/ (general explanation); studentaid.ed.gov/types/loans/interest-rates (rates and fees for federal loans).
9. The 7% figure is intended to represent a blend of the pre- and post-6/30/13 rates for Direct Unsubsidized Loans for graduate school (6.8% and 6.21%) and Direct PLUS Loans (7.9% and 7.21%). See studentaid.ed.gov/types/loans/interest-rates (rates and fees for federal loans).
10. The 2013 calculation assumes six equal disbursements of loan proceeds totaling \$175,715, with disbursements occurring on August 1 and January 31 of each academic year, and with simple interest accruing at 7% from the date of disbursement through August 31 of the year of graduation. The 2014 calculation assumed six equal disbursements of loan proceeds aggregating \$164,724, with the same method and interest rate.
11. studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action.
12. studentaid.ed.gov/repay-loans/understand/plans. As to the tax consequences of forgiveness of unpaid balances after 25 years, see irs.gov/publications/p970/ch05.html (IRS publication summarizing taxability of student loan discharges for other than public service). Also see projectconstudentdebt.org/initiative_view.php?initiative_idx=8 (referring to H.R. 2492, which was introduced in 2009, but has not yet become law).
13. studentaid.ed.gov/repay-loans/forgiveness-cancellation/charts/public-service.
14. papers.ssrn.com/sol3/papers.cfm?abstract_id=2270175. This work indicates that “a draft of the full paper” is also available on the Social Science Research Network. See nd.edu/~ndlaw/law-and-econ-program/Simkovic-TheEconomicValueofaLawDegree.pdf.
15. A July 2013 list of over 20 articles or blogs commenting on the presentation appears in “TaxProfBlog” at taxprof.typepad.com/taxprof_blog/2013/07/rasmussen-.html.
16. According to the Charlotte School of Law website (charlottelaw.edu/):
Earlier this year, the American Bar Association issued a report (Report of the Task Force on the Future of Legal Education) highlighting the significant chasm between what the legal profession wants and law schools do. Charlotte School of Law Dean Jay Conison served as the reporter for the task force, which calls upon law schools to become more responsive to the needs of students and employers or become irrelevant...
17. 11 U.S.C. § 523(a)(8). An exception allowing discharge in cases of undue hardship is narrowly construed. For a recent case addressing the issue see, e.g., *Hedlund v. Educational Resources Institute, Inc.*, 718 F.3d 848 (9th Cir. 2013).