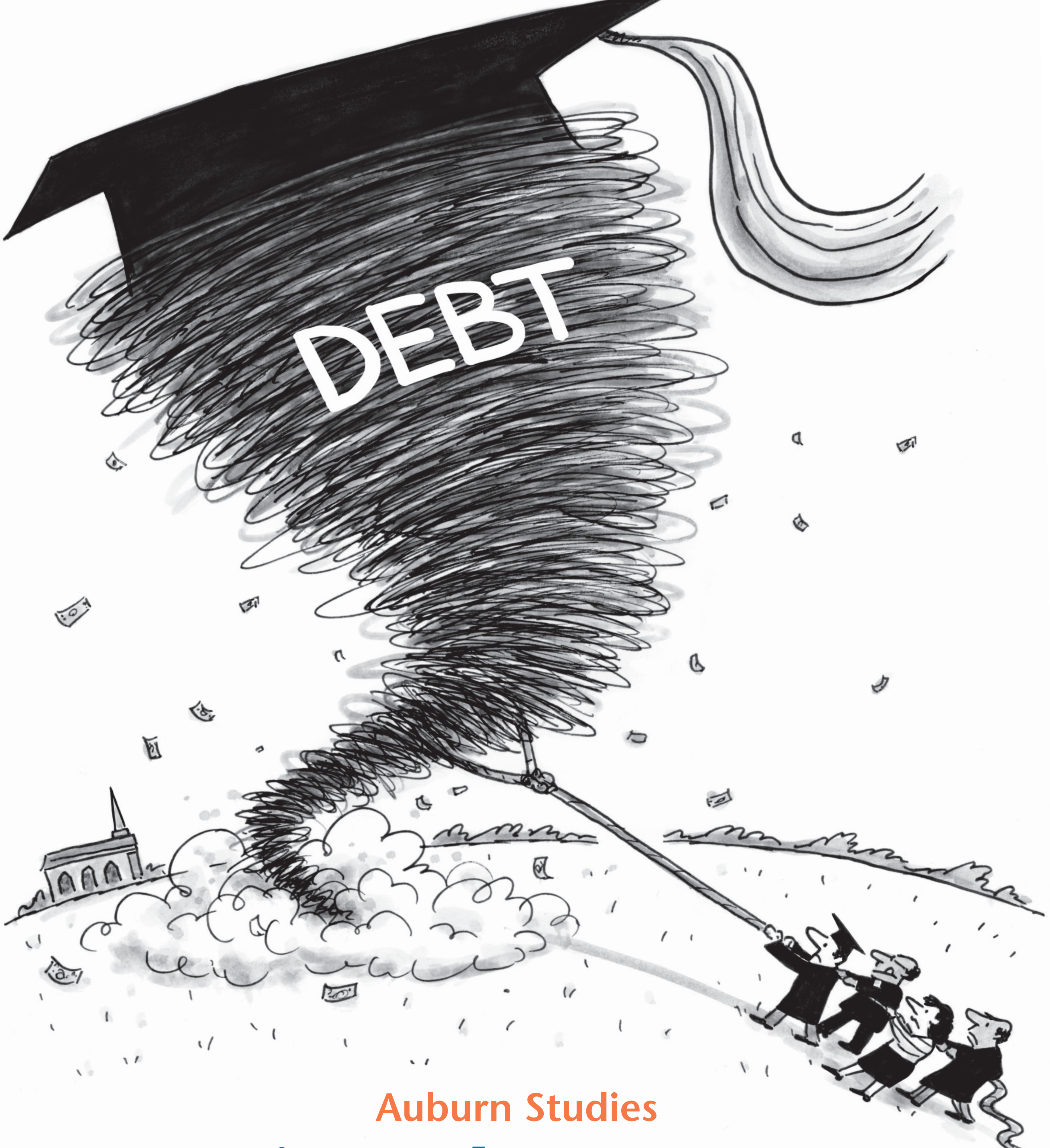

Auburn Studies

Taming the Tempest

A Team Approach to Reducing and Managing Student Debt

By Sharon L. Miller, Kim Maphis Early and Anthony Ruger | October 2014

About this Issue

Previous Auburn studies in 1995 and 2005 sharpened concern over the dramatic rise in student indebtedness in theological schools.* Its negative impact on unfolding ministerial careers is only one of the many consequences for graduates, the schools which train them, and the churches and other faith-based institutions who depend on their leadership. The trend is mirrored in other programs for graduate professional education. Yet it has particular gravity in theological schools because of the weight of students' sense of divine call paired with relatively low average starting salaries. Fortunately, a majority students are avoiding the highest levels of indebtedness, and many schools are developing ways to help—thanks in part to an innovative grant program on economic challenges faced by future ministry leaders. This report on the current research, led by my colleague Sharon Miller, offers help not only through clear reporting on the data, but also framing the issue as a multifaceted systemic issue countered by equally multifaceted examples of effective interventions to reverse the trend. In short, we've known for some time that student indebtedness trends were quite troubling. The good news is we are even clearer about exactly where the trouble is, and what kinds of collaborative responses will mitigate the negative impacts.

With gratitude for your partnership,

CHRISTIAN SCHAREN
Vice President of Applied Research at Auburn

* Anthony Ruger and Barbara G. Wheeler, *Manna From Heaven? Theological and Rabbinical Student Debt.* Auburn Studies 3, April 1995.

Anthony Ruger, Sharon L. Miller, and Kim Maphis Early, *The Gathering Storm: The Education Debt of Theological Students.* Auburn Studies 12. September 2005.

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Taming the Tempest

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Auburn Seminary's Center for the Study of Theological Education has, for the past twenty years, been collecting and analyzing data on theological student indebtedness. The issue of student debt now affects every theological school in North America and in many institutions, the amount of debt acquired during theological study is escalating to levels that may destabilize graduates' financial futures. Even students in schools that have declined to be a part of the US federal loan program and those in schools that fully fund their students are affected, because many of their students bring significant undergraduate debt with them into seminary.

Educational debt has become widespread in the culture at large and crippling for many students and graduates, not just in theological education. The good news is that there are a growing number of schools and denominations addressing this problem and developing creative and effective approaches to the problem of student debt.

This report will present recent data on theological student debt and its impact on graduates' lives. The report offers suggestions for both schools and denominations, and highlights current efforts that have proven effective in mitigating both the level and the negative impact of debt on the lives of students and graduates.

One feature common to the most promising strategies is their complexity, with many taking a multi-pronged approach. Student debt is no longer understood as solely the problem of

Data for this report was collected in several ways

- Quantitative data on debt levels were collected from member institutions of the Association of Theological Schools (ATS) that agreed to participate in the study in 1991, 2001 and 2011. The schools' financial aid officers provided data on undergraduate and graduate borrowing. In 2011, 77 schools provided data on 4,110 graduates. In 2001, 95 schools took part, providing data on 4,912 graduates; and in 1991, 117 schools participated, providing data on 5,502 graduates. These data are referred to as the Graduates' Data.
- Qualitative data on the effects of borrowing on graduates after they have left theological school were collected from a 2013 survey of master's degree classes from 2004 to 2009, four to nine years following graduation. Graduates were asked not only how they had financed their theological educations but also about their current financial status and repayment histories. Responses totaled 1,745. This questionnaire is referred to as the Alumni/ae survey.[1]
- Reliability of data: The schools represented in these three time periods are not identical, and the question has been raised whether the sample differences in each time period could account for at least some of the increase in debt levels. One way to address this concern is to match schools over time to document their levels of student debt. There are 28 to 33 schools that consistently reported data in 1991, 2001 and 2011, and data from those schools are reported in the longitudinal charts. They are remarkably similar to the overall sample for each decade.
- Validity of data: A second question is whether the reporting schools are truly representative of all students and schools within the ATS. For much of our research, we have found it useful to divide schools by religious tradition (evangelical Protestant, mainline Protestant, Roman Catholic and Orthodox, and Anabaptist). The 77 schools that provided data in 2011 did not proportionately represent each religious tradition. More responses were received from mainline Protestant schools and fewer from evangelical Protestant and Roman Catholic or Orthodox schools. To further complicate the picture, the schools with the highest enrollment are evangelical Protestant schools. In order to account for these differences, the data has been weighted to represent the *proportion of 2011 graduates in schools of each religious tradition*. Religious tradition does have some bearing on levels of debt; however, a school's religious affiliation is not a predictor of student debt.

either the student or the financial aid office; rather, it is seen as a stewardship challenge that is both institutional and systemic, and which therefore must be addressed on multiple fronts. If graduates trained in theological institutions are unable to pursue their callings because of educational debt, then schools have failed to steward the institutions' resources or accomplish their missions. *Taming the Tempest* seeks to highlight the interconnected nature of the problem of student debt and the cooperation and partnerships that are needed to address it.

The Problem

Undergraduate Debt

Undergraduate educational debt has become a national problem that affects students in nearly every field of study. The US Department of Education estimated that nearly 66 percent of all 2011 bachelor's degree graduates had educational debt, and those with loans owed on average $26,600.[2] *CNN Money* reported that 2013 graduates averaged $35,200 in college related debt, including an average of $3,000 in credit card debt.[3] Although many theological students carry undergraduate debt, the percentage of theological students who took out loans as undergraduates is well below the national average.[4]

If graduates trained in theological institutions are unable to pursue their callings because of educational debt, then schools have failed to accomplish their missions.

Figure 1a shows that undergraduate debt levels for all theological school graduates more than tripled between 1991 and 2001 and more than doubled for those who borrowed. Some of the increase between 1991 and 2001 is attributable to amendments to US federal legislation that increased loan limits. The rate of increase slowed considerably between 2001 and 2011 and in fact, when 2001 dollars are adjusted for inflation [see Figure 1b], we see that undergraduate borrowing remained essentially at 2001 levels.

Figure 1c shows average debt from 1991 to 2011 for the twenty-eight schools reporting undergraduate debt in all three time periods and it is very close to the averages in 1a.

The average undergraduate debt for borrowers—$17,936—is well below the $29,400 national average in 2012. This lower level of undergraduate debt is no doubt due to the older population that attends theological school. Only 31 percent

Figure 1a: Average Reported Undergraduate Debt 1991–2011 Theological School Graduates

Weighted by Religious Tradition of School

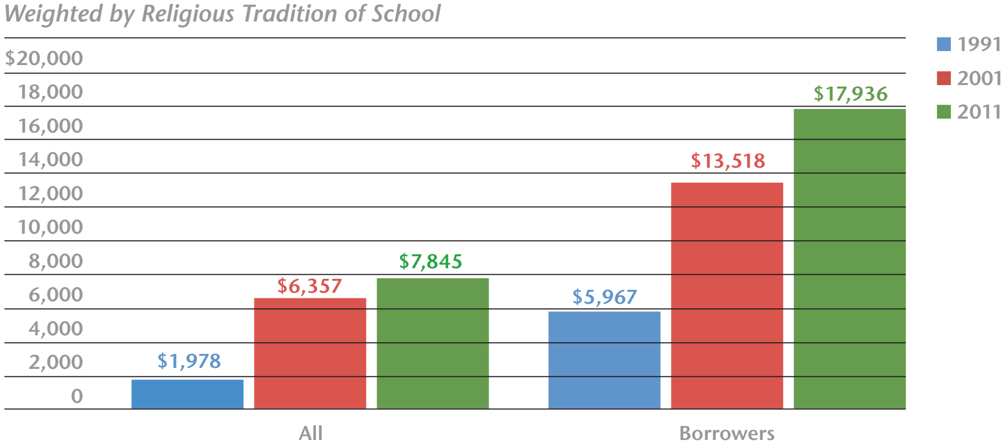


Figure 1b: Average Reported Undergraduate Debt
1991–2011 Theological School Graduates in *2011 Dollars*

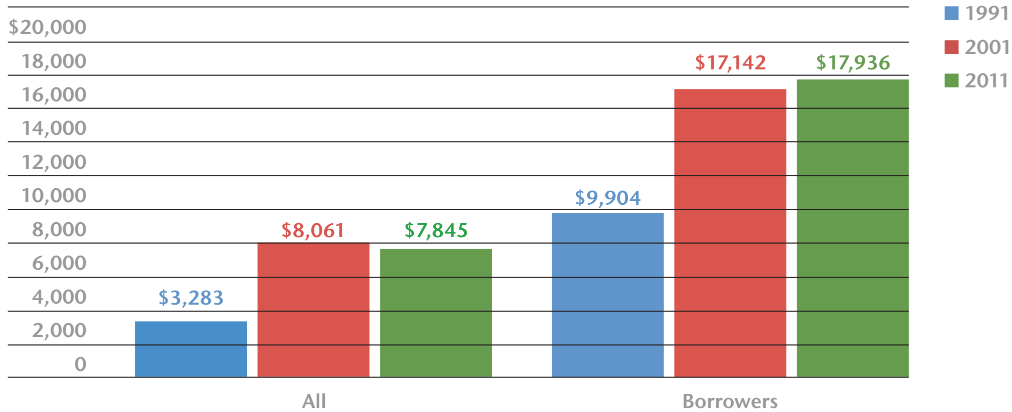
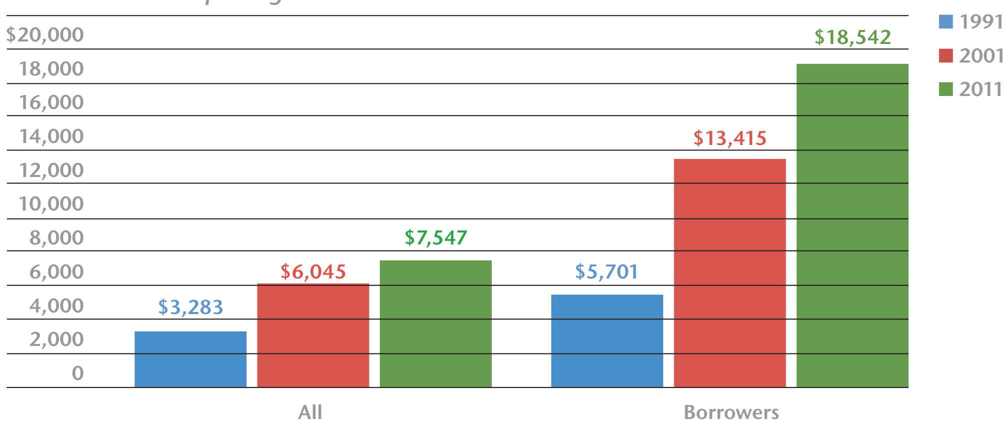


Figure 1c: Average Reported Undergraduate Debt
1991–2011 Theological School Graduates
Same 28 schools reporting



of students enrolled in ATS-accredited schools were under the age of thirty in 2013, and 22 percent were fifty years or older.[5] Many older students did not need to borrow to pay for their undergraduate education; however, if they had borrowed, they are more likely to have paid off their loans.

Although theological students have lower levels of undergraduate debt than the wider population, those who borrow to pay for their undergraduate educations are almost certain to borrow for theological education. Piling debt upon debt frequently leads to unmanageable levels of indebtedness. Therefore, it is important when reporting on theological debt levels to also track outstanding loans from undergraduate and other graduate education.

It is possible that undergraduate debt is deterring students from attending theological school, though there are no data to test this hypothesis.

We do have data to show, however, that undergraduate debt is delaying some of those who do enroll. Graduates were asked in the 2011 alumni/ae survey whether undergraduate debt had made them postpone attending theological school. Seven percent of respondents indicated they had postponed seminary because of undergraduate debt, and eleven percent of those who still carried previous educational debt at the time of enrollment (which could be either undergraduate or graduate debt) said they had delayed enrolling in theological school because of debt. Undoubtedly some of those who deferred applying to theological school never renewed their interest and were therefore "lost" as prospects or enrollees.

Theological School Debt

Debt levels for M.Div. graduates' theological education more than tripled over this twenty-year period [see Figure 2a]; from an average (for those who borrowed) of $10,017 in 1991, to $37,952 in 2011. When adjusted for inflation, the average debt load for borrowers

Figure 2a: Average Reported Theological Debt 1991–2011 M.Div. Graduates

Weighted by Religious Tradition of School

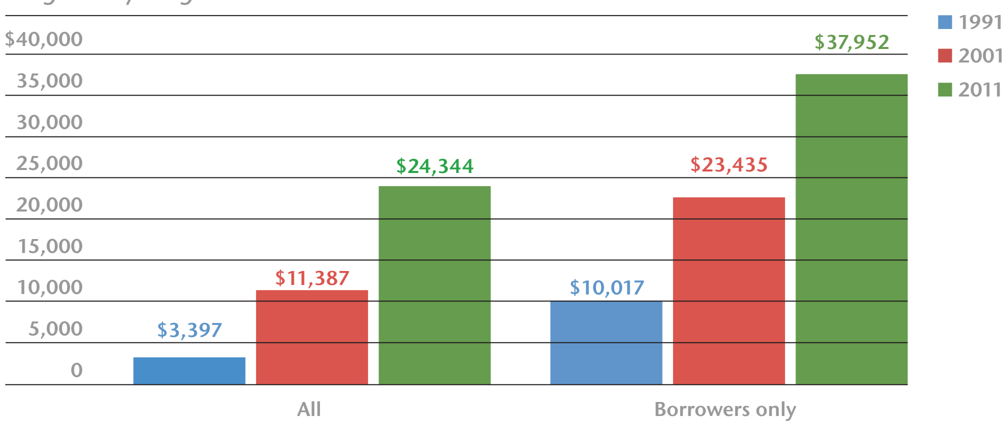


Figure 2b: Average Reported Theological Debt 1991–2011 M.Div. Graduates in *2011 Dollars*

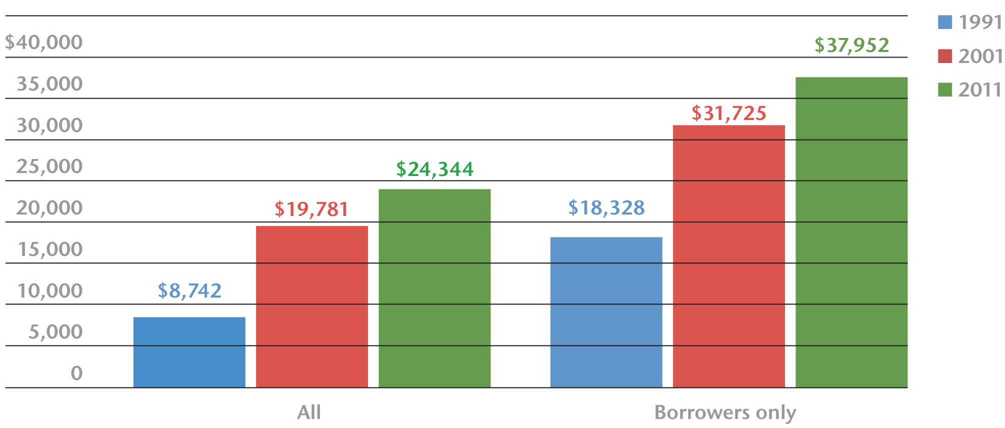
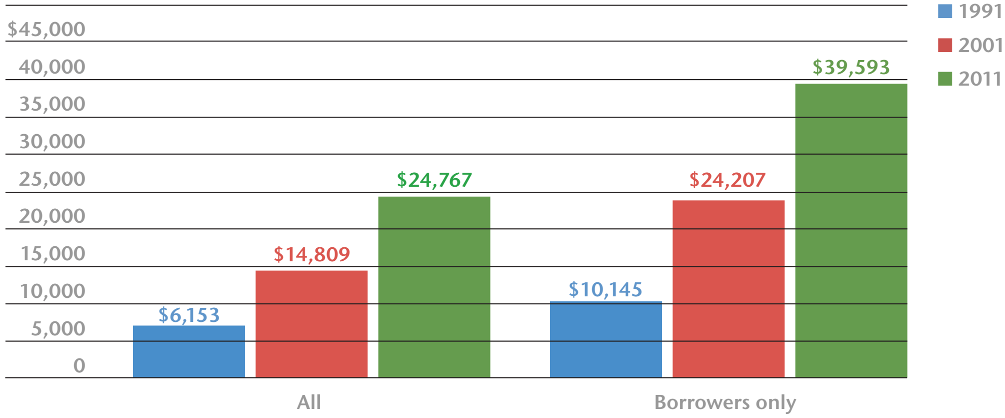


Figure 2c: Average Reported Theological Debt 1991–2011 M.Div. Graduates

Same 33 schools reporting



[see Figure 2b] has more than doubled: from $18,328 in 1991; to $37,952 in 2011. Again, the rapid increase in the first decade is partially due to increases in the federal loan ceiling; the rate of increase has slowed dramatically in the last decade. Figure 2c provides a comparison for the same thirty-four schools across time, and again we see remarkable concurrence in averages (before adjusting for inflation).

These amounts are deeply troubling but, it is important to note that (as Figure 2d shows) the majority of students finish their degree with either no debt or what appears to be manageable levels of educational debt. Over a third of M.Div. graduates (36 percent) have no theological school debt, while another 31 percent have theological debt below $30,000 at the time of graduation. One quarter of students (24 percent), however, have theological debt in excess of $40,000. It should be noted as well that overall debt levels for these graduates are certainly higher than indicated because debt incurred from undergraduate school (or previous graduate schooling), as well as credit card and consumer debt are not included in these figures. Many of these graduates will face financial stress in repayment.

Debt levels for 2011 Masters' (non-M.Div.) graduates average about $6,000 less than that of M.Div. graduates [see Figure 3a]. For all students, average debt grew: from $3,397 in 1991, to $11,387 in 2001, to $18,687 in 2011—an increase of over 500 percent. Debt more than tripled for those students who borrowed: from $10,017 in 1991, to $32,592 in 2011. When

Figure 2d: Distribution of M.Div. Graduate Debt in 2011

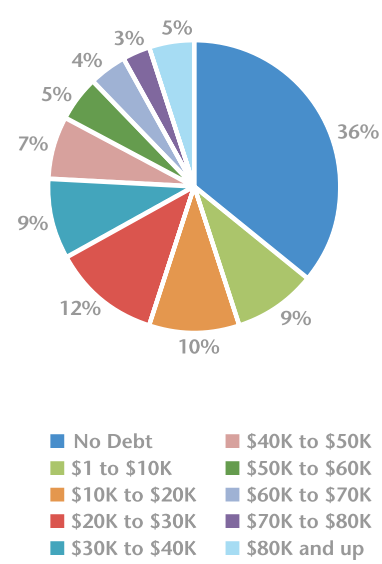


Figure 3a: Average Reported Theological Debt
1991–2011 Other Masters Graduates
Weighted by Religious Tradition of School

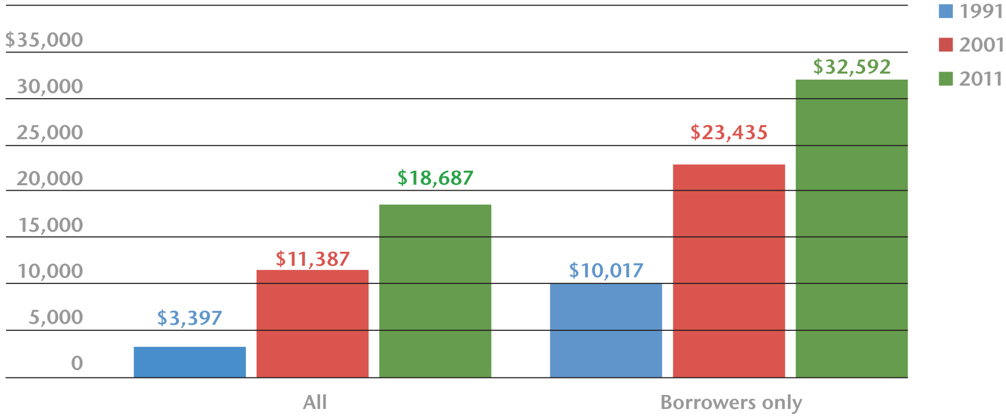
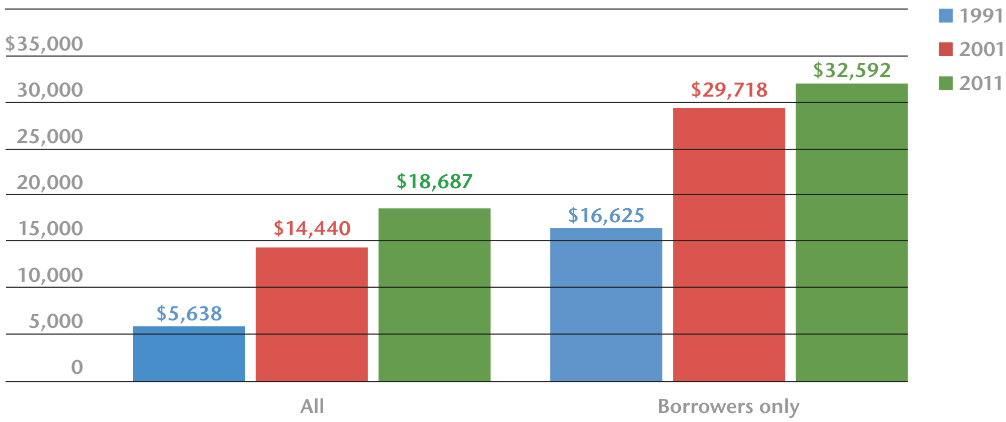


Figure 3b: Average Reported Theological Debt
1991–2011 Other Masters Graduates *in 2011 Dollars*



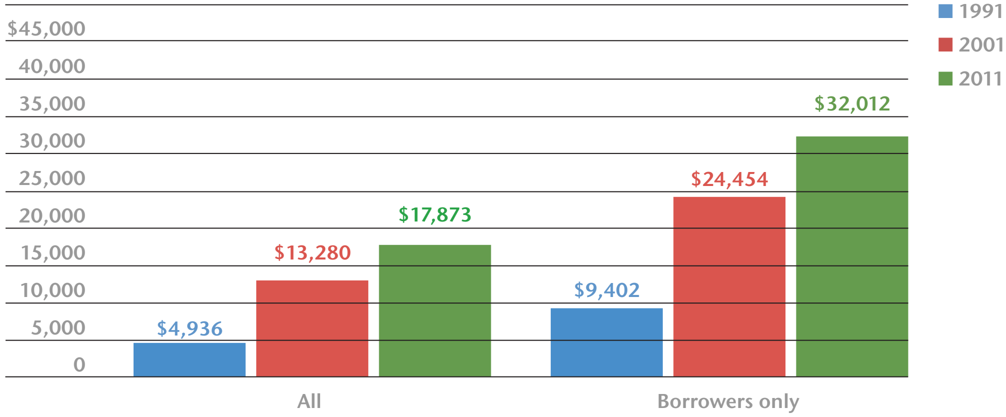
adjusted for inflation, the increase doubled—from $16,625 in 1991 to $32,592 in 2011—but the rate of increase has slowed significantly in the last decade [see Figure 3b]. Figure 3c provides a comparison for the same set of thirty-four schools, and again we see remarkable concurrence between these data (before adjusting for inflation).

A higher percentage of 2011 master's level graduates than M.Div. graduates have no debt (41 percent compared to 36 percent), while 33 percent have debt of $30,000 or less [see Figure 3d] and 18 percent have debt levels over $40,000 (as compared to 24 percent of M.Div. graduates).

The last Auburn Studies report on theological student debt, titled *The Gathering Storm,* offered a dire warning for schools, denominations and congregations about the financial burden under which an increasing number of graduates were laboring. It now appears that, although the rate of borrowing and the indebtedness of graduates has grown in the last decade, the pace of increase has slowed considerably when data is adjusted for inflation. Whether this slowing of indebtedness

Figure 3c: Average Reported Theological Debt 1991–2011 Other Masters Graduates

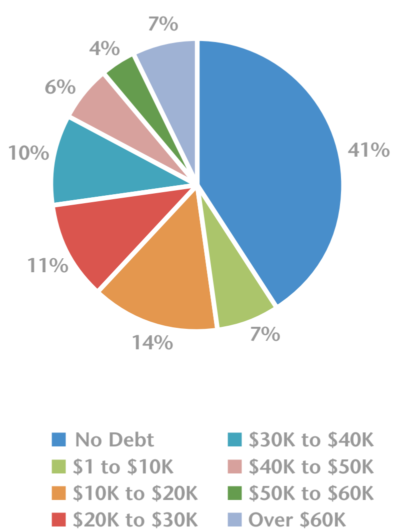
Same 33 schools reporting



is due to policy changes in theological schools or to better financial counseling of students, we do not know. But it is good news.

This is, however, not a time to become complacent, as debt is becoming a problem for an increasing number of students and there is every sign that this trend will continue. Students who graduate with significant debt may find it more difficult to follow their calling to ministry.

Figure 3d: Distribution of Other Masters Theological Debt in 2011



Who Borrows?

There are personal factors that impact an individual student's need to borrow: personal wealth (or poverty), savings, marital status, family size, age, race or ethnicity, gender, denomination or religious affiliation, consumer choices, and the financial acumen of the student.

Some students are more likely to borrow than others, and if they do borrow, they frequently borrow more than others [see Table 1]. Younger students are more likely to borrow than older students, and they borrow significantly more. Single students are more likely to borrow than married students, and they also borrow significantly more, even when age is held constant. M.Div. students, as mentioned earlier, are more likely to borrow and to borrow more than other master's-level students, whose programs typically are shorter in duration. Students with dependents, not surprisingly, are significantly more likely to borrow than those without dependents. Women and racial/ethnic students, as a whole, are no more likely to borrow than men or white students, but if they do borrow, they borrow significantly more.

Some of the reasons for these differences are easy to discern, but others may not be as evident.

Table 1: Who Borrows? (Sig. = .000)

More likely to borrow:	*If they do borrow, they borrow significantly more:*
▶ Younger students	▶ Younger students
▶ Single students (controlling for age)	▶ Single students (controlling for age)
▶ M.Div. students	▶ M.Div. students
▶ Students with dependents	▶ Women
	▶ Racial/Ethnic students

Young students as a group have fewer resources and lower savings than older students and are more likely to be attending school full-time, thus forgoing full-time employment. Single students cannot count on added support from a spouse or partner. Female students are less likely to be married, and racial/ethnic students in our sample are more likely to be single parents. All of these factors can contribute to fewer financial resources.

A school that seeks to address issues of student borrowing would be wise to analyze the demographics of its student population to identify particular groups of students that are incurring high levels of debt. The school might offer more financial counseling and planning for these populations, target specific debt relief initiatives to them, or study whether restructuring schedules, classes or requirements might lessen the need for borrowing.

In this, and in previous research on theological student debt, we have found no institutional characteristic which *consistently* correlates with debt levels, other than choosing not to participate in the federal loan program. Choice of school, however, does have a significant influence on how much debt a student is likely to incur. There are many institutional factors that contribute to student borrowing: tuition costs, discount rates, institutional financial aid, cost of living in the region, the quality and intensity of financial counseling available for the student, the structure of the educational program, etc.

We have found no institutional characteristic which *consistently* correlates with debt levels, other than choosing not to participate in the federal loan program.

Average debt levels can vary widely within the schools of a single denomination, as well as among non-denominational schools, independent schools, and schools embedded within a larger institution. Most institutional factors that influence debt are independent of the denominational affiliation and institutional structure of the school.

The religious tradition of the school a student attends does appear, however, to have some bearing on the level of debt at graduation [see Table 2]. Students at mainline Protestant schools average the most debt, a finding that is supported by data from the 2011 Graduating Student Survey[6] (a service made available by the Association of Theological Schools to its member institutions).

The borrowing levels of students who are preparing for priesthood or ministry at Catholic

Table 2: Average Levels of Debt for 2011 Master's-Level Graduates by Religious Tradition of School
Weighted by Religious Tradition of School

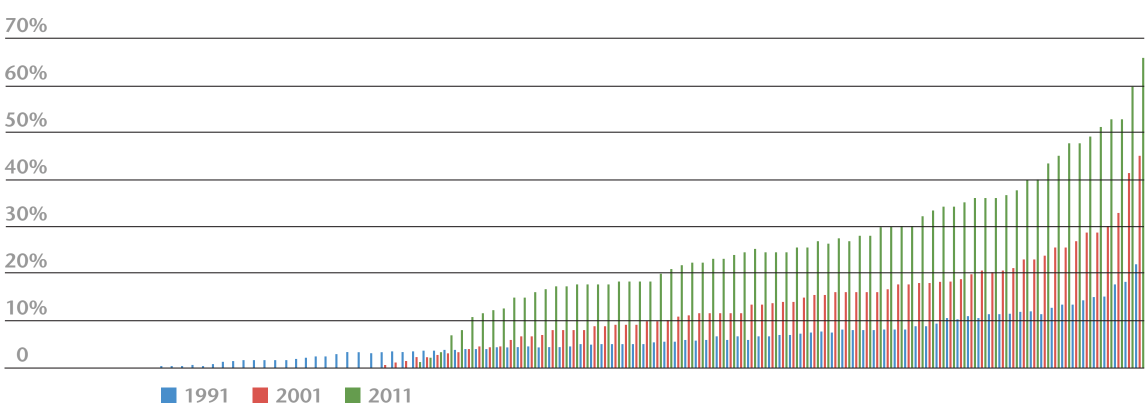
Religious Tradition of School	*Average Debt for All Students*	*Average Debt for Those Who Borrowed*
Mainline Protestant	$25,054	$38,423
Evangelical Protestant	$19,811	$34,068
Catholic & Orthodox	$22,476	$34,068
Anabaptist	$20,151	**

*** Too few schools or students to represent accurately*

and Orthodox schools and at some Protestant seminaries are difficult to determine, because many of these students are financially sponsored by their denominations. In these cases, overall student debt will be lower. When averages are taken for only those who borrow, more likely lay students in Roman Catholic institutions, or students without denominational support in Protestant schools where some students do have such support, the debt levels resemble those of mainline Protestant school students.

The religious tradition of a school may have some bearing on average debt levels, but it is by no means the determining or even key factor. One consistent finding from Auburn research is that average debt levels at theological schools vary widely, with some schools consistently having higher levels of student debt, while other schools (even within the same denomination) consistently have lower levels of student debt. Figure 4 illustrates this graphically. Each vertical bar represents the average theological debt

Figure 4: Average Theological Debt Per School M.Div. Graduates, 1991–2011



held by M.Div. graduates in that specific year. The mushrooming growth of debt can be clearly seen over this twenty-year period, as well as the large variation in debt levels for schools.

One might assume that a school's tuition or discount rate (the percentage of the stated tuition bill that is paid for by a grant) is a determinate of indebtedness. That is not the case. There are some schools with high tuition but low overall student borrowing, and some schools with low tuition whose students are deeply indebted. The way an institution administers financial aid and disburses loans, the availability of financial counseling, the cost of living in the region, and the messages that are transmitted to students about the relationship of consumer choices to the burden of debt are far greater determinants of debt levels than are tuition costs. In other words, except for local cost of living, many of the most significant factors that contribute to a school's level of student debt are within its control.

A Culture of Debt

Changing cultural attitudes toward debt are no doubt impacting levels of borrowing. Many students assume that they will borrow money to pay for their educations, and alternatives such as working longer hours, attending school part-time, or living more economically may not be considered. In a survey of theological school graduates from 2004 to 2009, fully 89 percent of students agreed with the statement, "Borrowing was common among students."

Research has consistently found that the institutional practices and culture of an institution can either drive or inhibit debt. If a school's financial aid office is understaffed and financial counseling with students is pro forma, there is little or no brake on the engine that drives debt. If a school takes a laissez-faire attitude towards

Except for local cost of living, many of the most significant factors that contribute to a school's level of student debt are within its control.

the financial decisions of students, debt is likely to increase among students.

On the other hand, if a school sends a clear message that debt is to be minimized and responsibly managed and, at the same time, provides financial counseling for those students who need assistance with managing their finances, student debt will likely decrease. If students are taught to be wise consumers when it comes to borrowing, they may still take out loans, but they will likely borrow less. This research also shows they will experience significantly less financial stress after graduation, regardless of the amount of debt they carry.

Most schools have failed to communicate a message about the downside of debt. Almost all graduates (90 percent) disagreed with the statement, "The administration and faculty discouraged borrowing at my school." When asked about receiving financial advice or guidance, 43 percent said that it was either inadequate or unavailable. Individuals at these schools may have been warned about debt and provided financial advice, but the students did not get the message.

The lack of information about the impact of debt was evident in two follow-up questions. Over half of the graduates said they were neither aware of the amount of their monthly loan payments at the time of graduation, nor did they have accurate knowledge of future compensation. This information could have helped them to calculate how much debt was manageable based on an estimate of their future salaries.

One of the challenges that anyone who works in this field must confront is the otherworldly approach of "God will provide" that some students hold about the financing of their theological educations. This message is frequently reinforced by others. One student recalled her seminary adviser saying to her, "You should never let pecuniary interests stand in the way of your calling." Another faculty adviser commented, "If you're really called to ministry, you'll find a way." Still other students may have an unstated expectation that the Church will take care of finances once they are employed by a church-related organization or congregation.

A 2010 survey of students entering seminary[7] found that 85 percent said that a call from God was important in their decisions to attend theological school. Over two-thirds also said that the desire to discern God's will was important in their decisions to attend seminary. It is not surprising then that so many students believe that God will provide for their needs, while in seminary and in their ministry after graduation.

This theological conviction may present a challenge for those engaged in financial counseling (or indeed, any type of counseling) with theological students. Research on the effects of a sense of call in other professions has shown that the more strongly a person believes that he or she is called to a particular vocation or occupation, the more resistant he or she will be to any adverse or discouraging advice that may impact their call.[8]

Certainly faith, optimism and determination in pursuit of a call to ministry are strengths, but insofar as these lead to inattention to today's financial realities, such sentiments are risky. The enthusiasm of a call should be accompanied by careful planning and budgeting in order to fulfill that call.

The fact that so many students have such limited awareness of the impact of the debt they have incurred speaks to the need for a multi-pronged approach to the problem. Not only students themselves, but also financial aid officers, faculty advisers, denominational officials and committees, and those who govern the seminary have roles to play in helping students manage finances more responsibly. The most effective approaches to student debt and associated issues require a partnership of all the stakeholders.

Are Loans Necessary?

Educational borrowing is now so widespread that there is no prospect of eliminating it altogether. In theological education as elsewhere, tuition has far outpaced inflation [see Figure 5]. Prospects for increasing the revenue sources that could easily mitigate debt are not promising: most theological schools have modest endowments and limited donor bases, and both of these revenue streams declined steeply during the past six years.[9] The third revenue stream is tuition, and many schools are to some extent tuition-dependent, requiring that students carry the major expenses of education. Students often have little recourse other than to borrow.

Theological students seem to borrow at roughly the same rate and level as those in comparable fields [see Table 3]. A March 2014 report from The New America Education Policy Program, which analyzes data collected by the U.S. Department of Education, shows that debt for graduate students has risen rapidly since

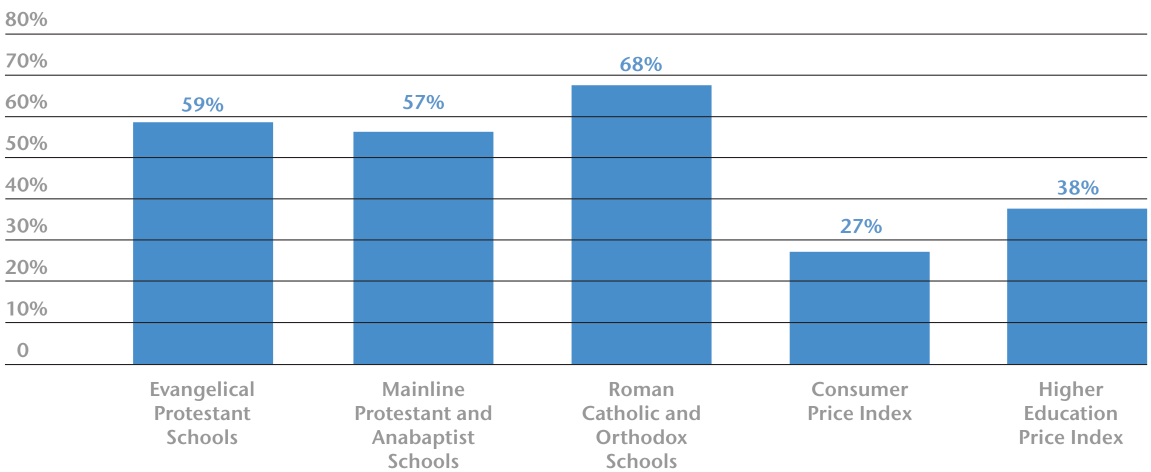
2004 and that most master's graduates now borrow for their education.[10]

Theological degrees were not included in this report (the author states there are limited data available on theological graduates), but the MA in Education and the MA in Social Work, which require two to three years to complete, are useful comparative degrees to the MA in Theology and the M.Div.

As Table 3 shows, many recent graduates in these comparable programs carried substantial undergraduate debt and added loans for graduate schooling. Those borrowers graduating in 2012 with an MA in Education averaged $35,350 in graduate debt and $50,879 in combined debt for both graduate and undergraduate school. Other master's degree graduates, including Social Work students, averaged $38,734 in graduate debt and $55,489 in total debt in 2012.

Master's graduate data from 2011 suggest that theological students' borrowing in the same period was comparable. Sixty-four percent of master's graduates took out loans, averaging $36,365 in theological school debt. Undergraduate

Figure 5: Average per School Increase in M.Div. Tuition by Ecclesial Family, 2001–2011



Source: Commission on Accrediting of Theological Schools, The Bureau of Labor Statistics and Common Fund.

Table 3: Median Debt for 2011/12 Master's Graduates (Amount owed for those with debt)

	Undergraduate Debt outstanding	*Graduate Debt owed at graduation*	*Total Debt owed at graduation*	*Increase since 2004*	*Percent Borrowing*
Education	$25,000	$35,350	$50,879	$20,539	60%
Theological School*	$17,936	$36,365	—	—	64%
Other MA (including Social Work)	$22,142	$38.734	$55,489	$23,839	72%
Law (LLB or JD)	$16,650	$128,125	$140,616	$17,135	86%

Source: Policy brief from New America Educational Policy Program, data from the U.S. Department of Education
**2011 Graduate Data*

Table 4: 2013 Salaries for Selected Occupations, Including Clergy and Religious Workers

	Mean Salary	*Median Salary*	*Lowest 25%*
Clergy	$47,450	$43,800	$31,190
Religious Educators	$44,240	$38,160	$25,720
Other religious workers	$45,130	$28,750	$19,790
Secondary teachers	$58,260	$55,360	$44,440
Social Work	$48,370	$56,510	$40,110
Lawyers	$131,990	$114,300	$75,540

Source: Department of Labor, Bureau of Labor Statistics, May 2013

borrowing, as mentioned earlier in this report, is lower than national averages (but not lower than averages for law school) most likely because the mean age of theological students is 36 years.

Although borrowing levels and indebtedness for graduate education may be comparable, average salaries for clergy, other religious workers, teachers and social workers are not [see Table 4]. The National Occupational Employment and Wage estimates for 2013, compiled by the Bureau of Labor Statistics, report that mean and median salaries for clergy and other religious workers are, in general, lower than that for secondary school teachers and social workers. In particular, the salaries for the lowest 25 percent (which are likely more in keeping with entry level positions) are significantly lower for clergy, religious educators and other religious workers. Salary levels for clergy of course vary widely by denomination, church affiliation and location, which makes it all the more crucial that theological schools collect salary averages for their recent graduates.

Consequences of Indebtedness

The escalation of educational debt among theological students has a host of consequences, not only for the individual theological school graduate and his or her family, but also for the school, the church and the larger religious world.

For the Graduate

Most theological students are responding to a call as well as making a career decision. The vocational path they have set themselves on does not usually pay very well. As noted, they often lack basic awareness of what salary level is needed to repay their debts, or even what salary they can expect to earn in their early years in ministry.

The Auburn survey of master's-level alumni/ae surveys of graduates, from 2004 to 2009, reveals the choices that theological students face when confronting the decision to borrow. Most students indicate that loans

- allowed them to attend the school of their choice (82 percent agreed with this statement);
- helped pay for their seminary education (85 percent agreed);
- covered their living expenses (71 percent agreed); and
- allowed them time to study (78 percent agreed).

Over a third of graduates who borrowed (38 percent), however, now say that in fact loans were not crucial; and 64 percent of borrowers now wish they had borrowed less. One is left to wonder whether better financial advice could have steered some of them away from loans and unmanageable indebtedness.

The negative effects of student debt were felt by over two-thirds of borrowers [see Figure 6]. When asked about their financial lives and current lifestyle,

- 24 percent said that they (or someone in their family) had to postpone health care because of finances;
- 26 percent said that they had to seek other employment;
- 30 percent said that they or their spouse had had to moonlight (take on an extra job) to meet expenses;
- 37 percent of borrowers said that debt had influenced their career choices;
- 45 percent said that their current financial situation was not comfortable; and
- 52 percent indicated that loans had negatively influenced their standard of living.

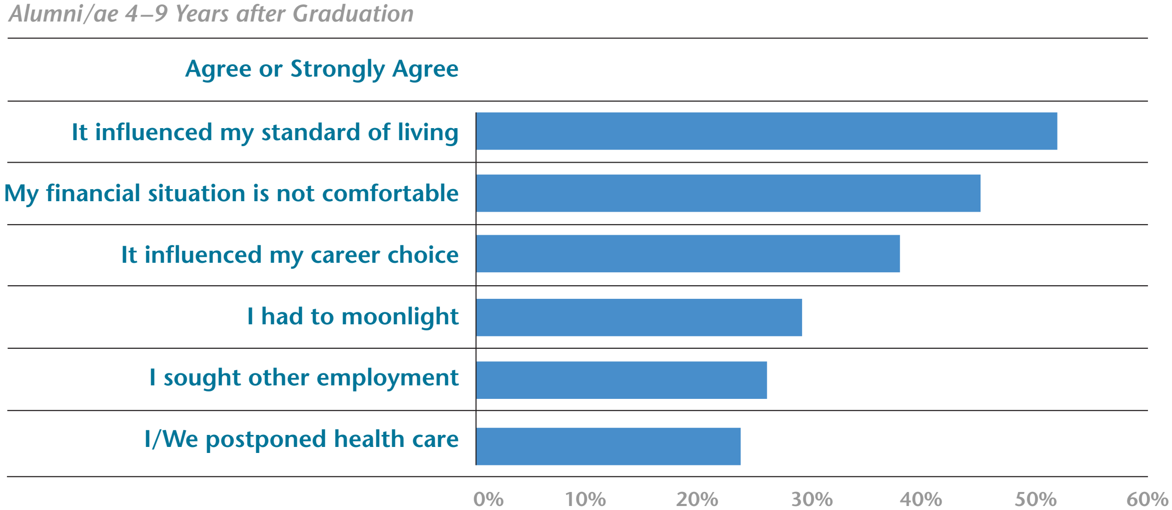
The fear that debt may be affecting career choices seems well founded. A recent study by Georgetown's Center for Applied Research in the Apostolate found that the average debt of those applying to join religious orders was $31,000 in 2013. A National Religious Vocation Conference report found that one in two applicants with student loans was not admitted to a religious congregation because of educational debt.[11] Many Protestant mission agencies require that applicants pay off all or most of their educational debt before going to a mission field. Others set a loan repayment ceiling (the Southern Baptists, for instance, will not accept missionaries whose loan repayment obligations are more than $200/month).[12] CRU (formerly known as Campus Crusade) also has policies regarding debt limits for new staff members.[13] Many ministry positions are simply beyond the reach of the graduates who carry $40,000 and more in loan debt.

For the Congregations and Denominations

Churches that call pastors who have onerous levels of debt may see the effects of financial stress on their ministers' performance. A pastor tired from moonlighting will have less energy

Figure 6: Effects of Debt on Theological School Graduates

Alumni/ae 4–9 Years after Graduation



and time to give the congregation, and the burden of debt on a modest compensation package may provide an incentive to seek a more highly paid position.

Further, pastors who cannot manage their own finances may lack the skills to participate in the management of their congregations' financial operations, and will probably be less likely to guide their congregations competently in making decisions about church assets. Ambivalence about money and guilt about debt may also overshadow their fund raising efforts for the church.

Denominations and other communities served by theological school graduates may find fewer job candidates for lower paying forms of ministry. The talent pool may be further reduced by those who delay their entry into ministry and those who abandon their calling altogether because of financial constraints.

For Theological Schools

Theological schools may also be affected by heavily indebted graduates. In the largest sense, schools fail to fulfill their missions completely if graduates cannot afford to accept calls to the ministries for which the school has prepared them. Debt-strapped graduates may not be willing to recommend their theological schools—or ministry in general—to others, and they are unlikely to contribute financially to their schools following graduation. Financially shrewd prospective students may avoid theological schools whose graduates have high levels of debt, instead choosing institutions with lower average student debt.

Partners in Stewardship

Some schools and denominations have taken on the challenge of theological student debt and are making a difference with their students and graduates. Some of these initiatives have already shown significant positive effects, while others are just getting underway. Any effort must be applauded, for it indicates that some individuals and institutions are recognizing that the status quo is not acceptable, and that to do nothing is to ignore the real dilemma and plight of students and graduates.

Steps Schools Can Take to Reduce Levels of Student Debt

Theological schools can help their students avoid or manage the acquisition of educational debt in a number of different ways:

1. ***Schools can monitor debt and track compensation.*** Many institutions do not generate regular reports on student indebtedness, despite the expression of serious concerns by senior administrators and board members. Regular reports should appear on the institutional "dashboard," and more complete reports should describe the debt situation of students in some detail.

   The educational debt of every student should be integrated into these reports, while observing the legal restriction that individuals may not be named, or their information disclosed with their name attached, to anyone outside the financial aid office and senior administration. Figure 7 shows a useful way of reporting graphically the educational debt level of a theological school's class. Each vertical bar represents a student. The students/vertical bars are sorted from left to right according to the amount of total debt they owe, from the lowest (zero in this example) to the highest, which in this case is almost $80,000. This chart shows prior educational debt as well as debt accrued at the theological school, and it graphically displays the accumulated level of debt for each anonymous individual.

Reporting the debt levels in this manner is an effective way to begin the institutional conversation about student finances. Anyone who sees such a graph will immediately want to know whether these students—especially the heavy borrowers—have realistic plans to finance their theological education and graduate with a manageable debt load.

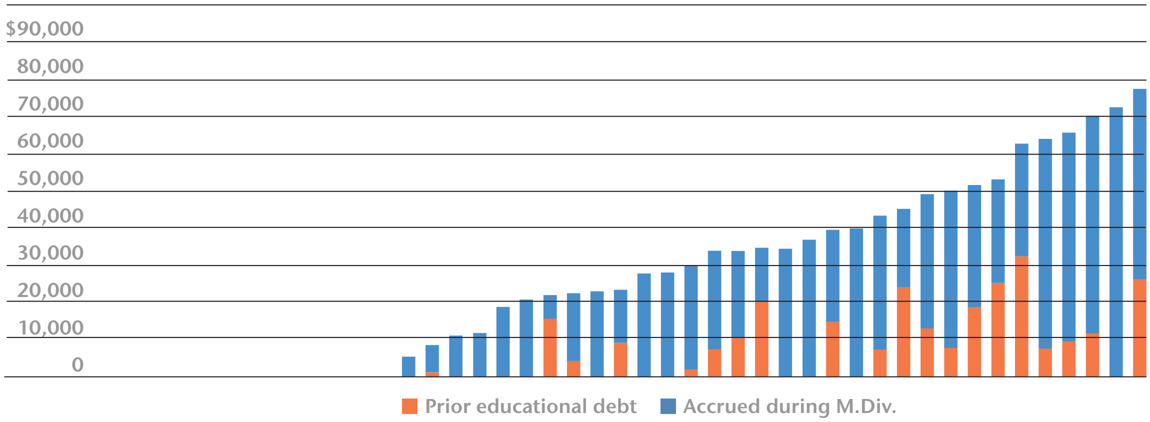
Most theological schools do not track the compensation rates of their recent graduates. In fact, only 23 percent of theological schools report doing so. Because accurate knowledge of future compensation is one of the key predictors of lowered financial stress among graduates, schools should collect such information, particularly for graduates in the first three years of their ministries.

2. *Schools can establish a policy of responsible borrowing.* This should be clearly communicated in the school's catalog, on its website, and in its contact with all prospective students. Prior to enrolling in their first semester, students should have a clear plan of how they will finance their theological education, how much money they anticipate borrowing over the course of their studies, and how they intend on repaying those loans post-graduation.

Accurate knowledge of future compensation is one of the key predictors of lowered financial stress among graduates.

3. *Schools can provide robust resources for financial planning.* Despite the widespread lack of financial acumen among students, they frequently do not attend workshops and seminars on financial management that are offered by their schools. On the Auburn alumni/ae survey, graduates expressed regret in not having attended such sessions and suggested they be mandatory for all students. In response to the obvious need, schools have developed a wide variety of classes, seminars, webinars and online modules, and

Figure 7: Educational Debt of M.Div. Graduating Class



other programs to educate their students on financial matters and to decrease the dependence on loans.

Luther Seminary in St. Paul, Minnesota has created a program, now replicated at other theological schools, of providing financial coaches for students who request one. These coaches—sometimes Luther board members, alumni/ae, and friends—meet one-on-one with students, to work on constructing a personal budget, participate in students' financial wellness assessment, and offer instruction on congregational finances and stewardship. Coaching has proven to be a cost-efficient way to assist students. Coaches are uncompensated volunteers and many have increased their giving to the school subsequent to their experiences with coaching.

Gordon-Conwell Theological Seminary in Massachusetts has developed a Partnership Program for students, which provides stewardship education, fund raising training and experience, and a full tuition scholarship. Participating students are required to have a sponsoring church and to raise a minimum amount of money through donor pledges for the duration of their seminary studies. The money raised is tax deductible because it is given to the institution and does not go directly into a student's account. Other schools are studying this model and hope to replicate it in part.

Schools have developed (or borrowed) a wide array of tools, many on-line and interactive, that assist students with budgeting and financial management. The Episcopal Church has financial planning tools for postulants and candidates for ordination. Wartburg Seminary provides financial wellness and stewardship tools for students and their families. Denver Seminary has a blog on financial aid and "living like a student." Anderson University School of Theology offers information on pastor compensation and other resources for clergy. The Association of Theological Schools is coordinating a Lilly Endowment Inc. initiative, The Economic Challenges Facing Future Ministers, and will be compiling and disseminating what is learned from the schools receiving a grant under this program. At the conclusion of this report is a list of other organizations whose mission it is to assist those in ministry with personal and congregational stewardship.

Resources now abound, and all theological schools can find and adapt tools to meet the needs of their student body.

4. *Schools can create the position of financial planning officer.* The dean of students, admissions officer, financial aid officer or other student personnel or business office staff member can assume this role. The financial planning officer reviews the financial aid forms of applicants, the in-school projected budgets of students applying for aid, and the postgraduate financial plans of students with loans, focusing in particular on heavily indebted applicants and students.

If the financial aid officer does not serve in this role, he or she will probably need to supply the planning officer with data and information, and senior administrators will need to be consulted in difficult cases. One of the costs of this approach is additional staff time for the planning function; another is professional development for the financial

A note on income-based repayment plans

The federal government offers several income-based repayment (IRB) plans that set graduates' repayment as a percentage of their income. At first glance, these appear to be beneficial for graduates who are entering a relatively low-paying profession. The plans extend repayment from the traditional ten years to twenty or twenty-five; as long as annual income remains below a certain level, repayment amounts will be manageable. At the end of the repayment period (which varies by program) any unpaid loans and interest accrued are forgiven, though the forgiven amounts are considered taxable income for the graduate. The one-time tax obligation can be onerous, as may be the extended period of debt repayment.

Another downside of the programs is the possibility that students will borrow more if they do not face the prospect of high monthly payments. To mitigate this effect, some schools are choosing to share information about these payment plans only with graduating students, not current or incoming students.

planning officer and others involved. This allocation of staff time can be costly—tens of thousands of dollars in labor annually. But schools that have implemented financial planning for students have cut the borrowing of students by several multiples of the added cost. Allocating funds for financial planning goes much farther in relieving debt than investing the same amount of funds in grants that substitute for loans.

5. ***Schools can intervene in the financial decisions of their students.*** How they do this will depend on their ethos and culture. Some schools keep their distance from students' personal decision-making. They may choose to ignore borrowing by students, or, under financial pressures of their own, actually encourage borrowing. By contrast, many ecclesial traditions involve themselves in forming the students while they are involved in theological study in both curricular and non-curricular ways. Schools in those traditions often do not hesitate to counsel and direct students regarding their personal finances, going so far as to check the financial situation and credit worthiness of applicants, and denying or deferring admission to applicants who do not meet their financial standards. They may also set a debt ceiling; when students approach that limit, they must participate in financial counseling and may be asked to demonstrate a repayment plan, asked to drop-out or stop-out, or be required to sign a document that reinforces their awareness of their financial obligations and warns of the consequences of further borrowing.

6. ***Schools can determine to reduce their own dependence on student borrowing.*** Many theological schools are tuition-driven or tuition-dependent, and in most cases at least some tuition revenue is from funds borrowed by students. The school may need students to borrow to pay tuition in the short term, but in the long term it also needs students

to avoid borrowing so that they persist in ministry and fulfill the long-term mission of the school. A school that is determined to minimize the debt of its students can make the difficult decisions: to spend less, by cutting expenses; to find other revenue, probably from gifts and grants; or to revamp its programs to make it easier for students to work while studying.

There are additional questions: Does a school have concerns about privacy that would prevent it from running credit checks on applicants, or deferring or denying admission to a student with sizable consumer or undergraduate educational debt? Is it willing to consider limiting the speed and convenience of access to loans? Does it have the personnel to collect and monitor information on applicant debt or alumni/ae salary levels, or is it willing to make such an investment? Does it have the flexibility to institute or expand evening, weekend, summer and part-time programs to help students keep their day jobs while attending theological school or to finish the degree more quickly? Each institution needs to grapple with these questions and the potential long-term benefits of making changes.

Clearly, a thoroughgoing examination of a school's policies and practices toward educational borrowing raises strategic questions about its mission and values. A school's approach to the issue of student debt—whether or not a change in policy or practice is contemplated—is significant enough to deliberate carefully, put in writing, and be approved by its governing board.

Steps Denominations Can Take to Lower the Levels of Student Debt

Denominations have taken a variety of approaches to improving the financial health of persons preparing for and active in ministerial leadership. Prompted by drops in seminary enrollment; difficulty in recruiting ministerial candidates and in retaining clergy; increasing numbers of bi-vocational pastors; and congregations unable or unwilling to hire a full-time pastor; denominations have devised strategies to educate students and address indebtedness as one aspect of their efforts to help clergy achieve financial well-being. These are some of the components of various denominational programs:

1. *Denominations can collect and disseminate information about the financial health of clergy.*
   Several denominations that had not been tracking information about the financial health of clergy have begun to do so. In addition to collecting information on student indebtedness, judicatories look at health care costs, housing, retirement planning, preparing for dependent educational costs, and consumer indebtedness as factors affecting clergy finances. Some surprises have emerged from the research, especially how precarious the financial situations of many clergy have become. This awareness has informed the design of responses to the problems.

   Confidentiality is important for successful data gathering. Many ministers decline to reveal their personal financial information to denominational officials or to lay people within their congregations. In these cases, it has been reported that shame and embarrassment have hindered the disclosure of the reality of clerical personal finances, preventing application to or participation in denominational efforts designed to address indebtedness and encourage financial planning. When outreach programs were able to ensure initial confidentiality or to restrict the "circle of trust" to a few people, clergy were able to tell their stories honestly to themselves, to their congregations or to persons who could help them in financial planning.

Some church officials have become educators about the problem of theological student/clergy debt. Using videos, bulletin inserts, and public occasions for preaching and teaching, they have brought the message to lay people. Congregants are often surprised to learn that their own and many other pastors have incurred significant debt to pursue theological education or have suffered financially because of low salaries and/or poor benefit packages. Oversight of these denominational programs has included stakeholders from various constituencies within the church, not limiting representation to active clergy.

2. ***Denominations can offer financial planning workshops.*** Participation in these workshops may be a pre-condition to receiving financial assistance or can be part of preparation for ordination. Workshops teach the basic skills of constructing a budget, negotiating terms of employment, understanding clergy tax considerations, planning for future financial changes such as retirement or higher education costs for dependents, and developing strategies for saving, reducing current indebtedness and investing.

3. ***Denominations can help to pay down indebtedness.*** Denominations typically configure these programs not only to give aid to ministers but also to incentivize them to take positions that the denomination wants filled, such as pastorates in rural, urban, under-resourced or small churches. Such programs may be limited to a cohort of recent graduates who will be serving congregations of a particular size, particular economic condition, or in a particular location. The awards are made in the form of a grant for a defined period of time. It should be noted that such grants are considered taxable income.

   Some denominations have also developed their own loan funds that are tied to service in the church. Loans are made annually to qualified ministerial candidates to offset educational costs and are then repaid with a defined term of service in parish ministry. Other church bodies have developed internal private loan funds or have collaborated with commercial or non-profit lenders to offer student loans at interest rates and with repayment options that are more favorable than federal loans.

4. ***Denominations can provide direct scholarship assistance.*** To forestall students' borrowing in the first place, some denominations have raised money to assist theological schools and their students with endowed resources for tuition assistance. As with debt assistance programs, these scholarship awards are often tied to intended service in parish ministry. In the Evangelical Lutheran Church in America, for example, students who have received such scholarships report smaller debt amounts, about one half the median educational debt for those not receiving the scholarships.

   Scholarship funding can also be distributed in new ways. It may be given to the denomination's seminaries to disburse or it may be given directly to students for use in meeting tuition costs. When directed to seminaries, the denomination may direct the school to award the funds in a competitive process, distribute them in equal amounts to all qualified ministerial candidates, distribute them on the basis of need, or use them to reduce the rate of tuition for all students.

Scholarship funding may also be used to promote the recruitment goals of the denomination, targeting underrepresented groups the denomination and the school hopes to attract in greater numbers.

5. *Denominations can raise funds for student financial assistance.* Through special offerings or targeted appeals to donors, denominations have begun to collect funds for debt assistance programs and scholarships for ministerial candidates and clergy. These programs vary in maximum dollar amount awarded and in eligibility requirements, but all involve an application process and some sort of financial counseling as a condition of funding.

6. *Denominations can reconsider costly educational requirements.* Several denominations are considering the impact that requirements for ordination have on student finances. As more coursework and training are required to progress in the ordination process, students will have longer, more expensive periods of preparation. By screening the list of course and internship requirements and encouraging innovation in course delivery, denominations can free theological schools to design alternative schedules and differing modes of teaching and learning, in hopes of moving students more quickly through the degree program.

Any one of the initiatives listed above can be counted as a step forward in reducing theological student indebtedness. Given the complexity of the problem, however, a multi-pronged approach by denominations is desirable. A pilot program in the state of Indiana, sponsored by Lilly Endowment Inc. with a diverse group of sixteen judicatory participants (the Economic Challenges Facing Indiana Pastors [ECFIP] initiative), was able to document four impacts of their varied outreach programs:

- Financial literacy has improved.
- Congregations and judicatories have a better understanding of their pastors' needs.
- Conversations about faith and finances are no longer off limits.
- Relationships between judicatories and their member churches have strengthened.[14]

Conclusions

It is doubtful that theological student debt can be eliminated, given the financial realities of higher education and the cost of living in North America. But student indebtedness can be controlled and managed, and the deleterious effects of debt on graduates' lives can be eased if all the players in this drama—students, theological schools, denominations, congregations and lay members—collaborate to address the financial costs of educating church leaders for the future.

Resources

A Call to Action: Lifting the Burden—How theological schools can help students manage educational debt | ***www.AuburnSeminary.org/finance-and-student-debt***

This Auburn Resource is a published companion to the three Auburn reports on theological student debt. It discusses how to implement a financial planning program and is designed as a guide for theological school staff and administrators as they help applicants and students to reduce and manage educational debt in order to more effectively follow their call to ministry.

Center for Congregations | ***www.centerforcongregations.org***

The Indianapolis Center for Congregations helps congregations find and use the best resources to address their challenges and opportunities.

In the Resources section of the website, there are over 130 resource guides, many of which are directly related to addressing clergy finances. Examples include: Creating Cultures of Generosity, A Celebration of Giving, Developing Congregational Generosity, Essentials of Church Finance, Giving and Stewardship. One of these resources, "Economic Challenges Facing Indiana Congregations," is a compilation of resources to support clergy and congregational leaders as they deal with everyday challenges regarding financial issues. Included are sections on Clergy Debt, Clergy Salary, Congregational Finance, Faith and Money, Fundraising, Household Economics, Retirement and Tax Information.

Also in the Resources section, there is a Special Report entitled "Stewardship and Generosity" (www.centerforcongregations.org/resource/stewardship-and- generosity). This piece contains 19 pages of resources organized by categories: books, web resources, media, consultants and events.

Christian Stewardship Network | ***http://www.christianstewardshipnetwork.com***

Christian Stewardship Network helps local churches apply biblical stewardship principles; encourages, teaches and strategizes with stewardship professionals; offers fellowship opportunities for stewardship leaders serving in the local church; encourages the sharing of biblically sound stewardship resources and practices; and networks with Christian organizations to advance the interest of stewardship in the church. The website provides reading lists that explore stewardship theology, money management, Christian living, giving and ministry help, as well as sermons, white papers and teaching resources. To find these items: click on Resources in the top navigation menu; then click on Reading List in the right hand navigation menu, or, in the list of items that then appears in the main body of the web page.

Ecumenical Stewardship Center | ***http://stewardshipresources.org***

As a "Network for Growing Stewards," the Ecumenical Stewardship Center website provides information about resources that enable congregations to design a variety of stewardship programs or to pursue a capital campaign.

Notes

1. Return rate is unknown, since schools sent the survey to their graduates and did not report back on the number sent, or their bounce rate. Thus the information from the alumni/ae surveys should be treated as qualitative, rather than quantitative data.

2. Mathew Reed and Debbie Cochrane, *Student Debt and the Class of 2011* (Washington DC: Institute for College Access & Success, Institute of Education Sciences, 2012).

3. Blake Ellis, *Class of 2013 Average $35,200 in Total Debt* (CNN Money, May 17, 2013).

4. While financial aid officers usually had excellent records of the amounts borrowed in theological school, information about undergraduate debt and other graduate debt was, in many instances, not available. Thus the cumulative debt picture presented here may understate the actual indebtedness of students.

5. The Association of Theological Schools, “Head Count Enrollment by Degree Program, Age and Gender,” *Annual Data, Table 2.14-A* (Pittsburgh: Fall 2013).

6. Not all member schools within the ATS use the Graduate Student Questionnaire, so this data was weighted by the authors to represent the denominational classifications of the overall membership.

7. The Association of Theological Schools, *Entering Student Questionnaire*. Data weighted by the authors to represent the denominational classification of the overall membership.

8. Shosana Dobrow and Jennifer Tosti-Kharas, “Listen to Your Heart? Calling and Receptivity to Career Advice,” *Journal of Career Assessment* 20 (2012): 264-280.

9. Anthony Ruger and Chris A. Meinzer, *Through Toil and Tribulation: Financing Theological Education 2001-2011* (New York: Auburn Studies, 2014).

10. Jason Delisle, *The Graduate Student Debt Review: The State of Graduate Student Borrowing* (New America Educational Policy Program, March 2014).

11. Kathleen Mahoney, Ed., *A Handbook on Educational Debt and Vocations to Religious Life* (National Religious Vocation Conference), 2013.

12. International Mission Board, A Southern Baptist Convention entity. (www.goingimb.org).

13. *We do not want a person to join the staff of CRU with indebtedness that would prove to be a hardship based on our salary scale. New staff applicants must meet debt limits in two areas. The first area is personal debt, which includes credit card, bank loans, and other consumer debt, but does not include mortgages. In the area of personal debt, an application must be within both the total limit and the monthly payment limit. The second area is total monthly payment of all debt, which includes educational, auto and all personal debt. There are three sets of limits, depending on the applicant's stage of life.* (http://www.cru.org/opportunities/careers/supported-staff/qualifications).

14. Holly G. Miller, *Economic Challenges Facing Indiana Pastors: A Progress Report on a Lilly Endowment Inc. Initiative* (Indianapolis, IN: Lilly Endowment Inc., 2013).

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About Auburn Theological Seminary

Auburn was founded in 1818 by the presbyteries of central New York State. Progressive theological ideas and ecumenical sensibilities guided Auburn's original work of preparing ministers for frontier churches and foreign missions. After the seminary relocated from Auburn, New York, to the campus of Union Theological Seminary in New York City in 1939, Auburn ceased to grant degrees, but its commitment to progressive and ecumenical theological education remained firm.

As a free-standing seminary working in close cooperation with other institutions, Auburn found new forms for its educational mission: programs of serious, sustained theological education for laity and practicing clergy; a course of denominational studies for Presbyterians enrolled at Union; and research into the history, aims and purposes of theological education.

In 1991, building on its national reputation for research, Auburn established the Center for the Study of Theological Education to foster research on current issues on theological education, an enterprise that Auburn believes is critical to the well-being of religious communities and the world that they serve.

In 2013, with its 200th anniversary in sight, Auburn embarked on a new strategic plan intended to marshal its many resources towards the central mission of equipping leaders of faith and moral courage to work to heal the world. As part of this plan, we reaffirm a strong and enduring commitment to a vigorous research agenda on topics relevant to the Center's constituency in theological schools and will continue the high quality Auburn Studies many look to us to provide. In addition, under a broader umbrella of Auburn Research we will develop exciting new initiatives such as Applied Theology, a set of studies seeking to let deep theological convictions speak to pressing public issues.

Auburn Center for the Study of Theological Education

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