Auburn

A Call to Action: Lifting the Burden

How Theological Schools Can Help Students Manage Educational Debt

Sharon L. Miller, Kim Maphis Early, Anthony T. Ruger | April, 2014

About this Report

This Auburn Resources Report extends the research that the Auburn Center for the Study of Theological Education conducted and published in the Auburn Studies series about the critical issue of indebtedness among theological students. It is designed as a guide for theological school leadership in assisting applicants and students to reduce and manage education debt in order to more effectively follow their call to ministry.

This booklet is published as a companion piece to the three Auburn reports on theological student debt. The reports, as well as videos and other resources that schools may use to address student debt, are available on the Auburn website at: www.AuburnSeminary.org/CSTE. These resources and the three Auburn reports are made possible by a generous grant from Lilly Endowment Inc.

Auburn Resources, April 2014

A Call to Action: Lifting the Burden

How Theological Schools Can Help Students Manage Educational Debt

Sharon L. Miller, Kim Maphis Early, Anthony T. Ruger | April, 2014

For more than twenty years, the Auburn Center for the Study of Theological Education has closely followed the growing educational debt of theological students. Because of the alarming increase in indebtedness documented over this period, the Auburn Center issued a call to action for theological schools to help their applicants, current students and alumni/ae manage educational debt for the good of themselves, their schools and the world that they seek to serve.

In a review of member websites of the Association of Theological Schools, it is clear that recommendations from prior studies of theological student indebtedness have been taken to heart by many schools. Financial aid offices now warn against the accumulation of too much debt or encourage prospective students to keep educational debt at a minimum. Others encourage the elimination of consumer debt prior to enrollment.

Schools also state clearly the principles and policies related to its aid programs, with handbooks readily available on institutional websites. Others have developed instructional videos that share the philosophical or theological underpinnings of financial aid processes and awards, providing links to resources such as repayment calculators, information on repayment options, personal financial tools and financial planning websites.

In rare cases, schools have established a specific debt limit, requiring a review of plans for further borrowing and repayment prior to any relaxation of the limit. Other loan-avoidance or loan-reduction strategies include the use of institutional emergency loan funds in small amounts for occasional needs and discouraging students from taking out larger amounts at less preferable rates from the federal government or private lenders.

In a relatively recent development, schools that do not participate in the federal student loan programs, or others who have declined to resume direct lending, have turned to private lending plans that are developed internally, in collaboration with similar institutions, or are available in the marketplace for graduate and professional students. Some of these plans have reduced origination fees, allowing students to repay interest during education, or have other features that are competitive with the federal loan programs.

Efforts to slow down the easy access to student loans are in evidence in schools requiring that students complete budget and loan worksheets and meet with financial aid officers prior to the first disbursement of a loan. This approach is in addition to the on-line interviews for new students that are required in the processing of federal student loans.

Educational debt *can* be managed. Schools can effectively help students understand their financial situation, their financial prospects and the obligations they have incurred. Every student should be able to make a fully informed decision to avoid or acquire debt. This new Auburn Resources Report shares some of the tools, resources and approaches that have been used successfully by other schools. It is organized into five sections:

I. The Need to Manage Debt
A summary of findings from the most recent research on theological student debt focuses on the magnitude of the problem and the implications of heavy debt levels.

II. Major Issues in Helping Students Manage Debt
The philosophical and administrative considerations theological schools must address before implementing a debt management program.

III. Implementing a Financial Planning Program
The steps necessary to create an effective program to help prospective, current and graduating students minimize and manage their educational debt.

IV. Administrative Reporting and Other Issues
A comprehensive approach to managing theological student debt will mean reporting on current levels of student debt and may call for new roles and responsibilities for staff.

V. Financial Planning Resources
Websites for resources, debt reduction and ranking information, budgeting software and other tools used by theological schools.

> **Schools should present the projected debt one will incur at the end of their program. This will help the student decide the pace and/or program to enroll in at the beginning of their educational endeavor.**
>
> ALUMNI SURVEY RESPONDENT

I. The Need to Manage Debt

Educational Debt: An Escalating Problem

It is impossible to ignore the increasing amount of debt carried by recent theological school graduates. The magnitude of this problem is explored in *Partners in Stewardship: The best way to manage student debt,* which analyzes levels of educational loan debt—not including consumer or personal debt—among three cohorts of theological school students (1991, 2001 and 2011).

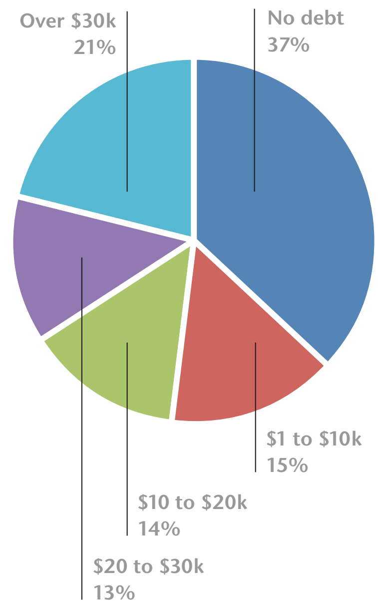
The study found that educational borrowing increased significantly in both extent and amount among Master of Divinity students who graduated in 2011 compared with their counterparts a decade earlier.

In 1991, more than half of Master of Divinity students graduated with no educational debt. This decreased significantly to 37 percent in 2001, but the rate of decline slowed to 36 percent with no educational debt upon graduation. The average level of debt, for those graduates who borrowed, grew from $11,043 in 1991, to $25,018 in 2001 and $38,704 in 2011. The major concern for many is the rapid rise in those who are most indebted. In 2001, 20 percent of graduates borrowed $30,000 or more. This had grown to 35 percent in 2011.

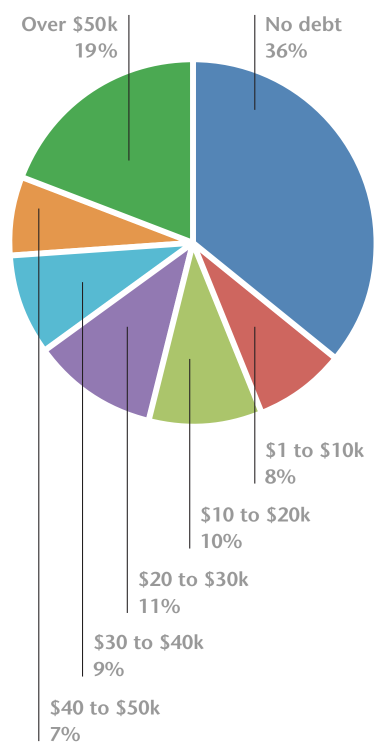
Of added concern is that more theological students are entering seminary with undergraduate debt. A recent survey of student financial aid conducted by the U.S. Department of Education found in the 2011-12 academic year, nearly 70 percent of students who graduated with a bachelor's degree incurred debt for their education, and those with loans owed $29,400 on average.[1] This would necessitate a monthly repayment of approximately $312 a month, for a typical ten-year repayment plan.

Figure 1: Distribution of M.Div. Graduates' Theological Debt

2001



2011



1. National Postsecondary Student Aid Study (NPSAS), 2013.

Multiple Contributing Factors

There are a number of factors that influence student debt levels.

Availability of low-interest loans. Ready access to loans at attractive interest rates has certainly been an incentive for borrowing. By 2001, the advent of unsubsidized Stafford loans enabled a student to borrow up to $20,500 per year through the program, or up to a total of $138,500 in combined undergraduate and graduate loans. Concurrently, changing cultural attitudes toward debt have made borrowing seem more acceptable.

Changing cultural attitudes toward debt. As loans have become more available, borrowing has become more acceptable. Many students assume that they will borrow money to pay for their education, and alternatives such as working longer hours, attending school part-time, or downsizing one's lifestyle are frequently not even considered. In the recent Auburn survey of theological school graduates from 2004 and 2009, 89 percent of students agreed with the statement, "Borrowing was common among students." Nine out of ten disagreed with the statement, "Administration and faculty discouraged borrowing."

Changing theological school/denominational financial aid. A generation ago, many students had their tuition fully or partly covered through scholarships from their theological schools or denominations. Reductions in such funds, coupled with rising tuition levels, have had an effect, although not as great as that of spiraling living costs.

A student's level of debt largely depended on which theological school that student attended.

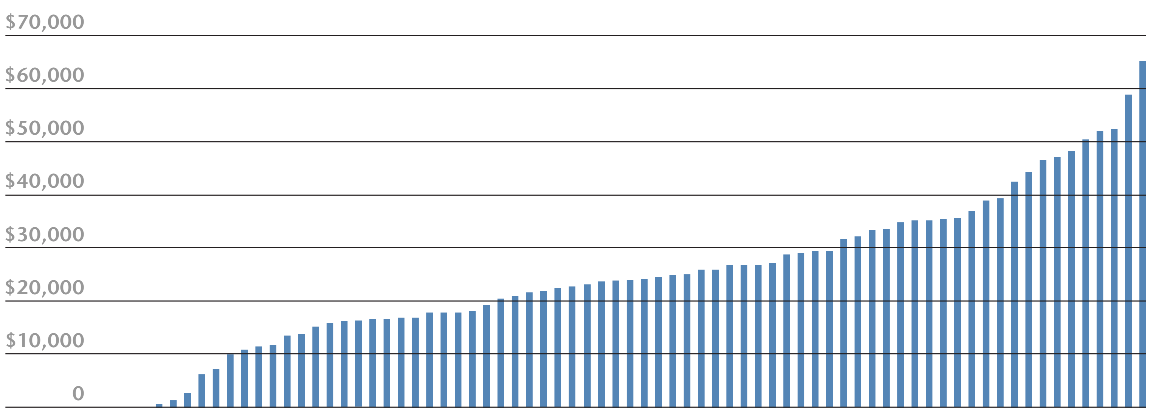
Changing student demographics. When most theological school students were young, single men, their living costs were quite modest. They usually lived in dormitories and ate their meals at a common refectory. Today, many seminarians are older, often married with children and usually living in their own apartments or houses. Many have other financial obligations, such as mortgages, health-care costs for family members and school tuition for children.

Otherworldly attitudes. Some students approach the financing of their theological education with a certainty that "God will provide." 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 others may have an unstated expectation that the Church will take care of finances once they get a position. 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 for a call should be complemented by careful planning and budgeting. One of our researchers commented in reference to the availability of student loans, "One shouldn't confuse God with the federal government."

Approach of individual theological schools. Auburn's 2014 study and its predecessor studies found that a student's level of educational debt largely depended on which theological school that student attended (See Figure 2). External conditions notwithstanding, a theological school's attitude and approach to debt, along with its tuition costs and living expenses, the

Figure 2: Average Theological Debt Per School M.Div. Graduates—2011

Each line equals the average debt of one school



level of financial aid awarded and the nature and quality of financial counseling services all play an important role in determining its students' debt levels. *This finding strongly suggests that theological schools have the potential to help control rising educational debt among their students*.

A Cascade of Unintended Consequences.

The escalation of educational debt among theological students has a host of unintended consequences, not only for the individual theological school graduate and his or her family, but also for the larger Church community and the ministries in which our graduates hope to work. *Partners in Stewardship* outlines these consequences in more detail.

For the graduate. Most theological students are following a call, not simply making a career decision. Unlike those who pursue graduate education in such fields as medicine or law, they do not take on educational debt as an investment in a career that will yield financial rewards. They often lack a 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. This lack of awareness is reflected in the alumni survey results published in *Partners in Stewardship,* which show that over half of alumni from 2004 and 2009 now wish that they had borrowed less, and nearly as great a proportion say they did not have sufficient information about future compensation when they made the decision to borrow.

The survey uncovered other, more serious consequences for these graduates as they have sought to manage financial realities after graduation. Educational debt has forced some graduates with extensive loans to pursue higher-paying forms of ministry rather than serving small churches, social action or missionary ministries, or nonprofit organizations. Some debt-ridden graduates who have the option of pursuing higher-paying jobs defer their entry into ministry until they have their debts under control. Others enter the ministry and then leave, citing financial pressure among other reasons.

Financial pressure is certainly a factor in the careers of those who enter and remain in the

“I left the ministry, at least in a large part, due to financial considerations.”
ALUMNI SURVEY RESPONDENT

“I still carry anger...concerning my seminary debt. It has affected my call, my outlook, and my willingness to recommend seminary to many who have the potential.”
ALUMNI SURVEY RESPONDENT

“The main issue...is that the mountains of debt many graduates labor under precludes clergy serving in settings to which they may be called, but cannot afford. This is a theological concern that isn’t being dealt with very well.” ALUMNI SURVEY RESPONDENT

ministry despite a heavy debt load. A significant percentage of clergy responding to the alumni survey indicated that they experience financial stress, and that they or their spouses have had to moonlight, missed a loan payment, or postponed health care. Such situations have the potential of leading clergy to do less than their best, straining marriages and jeopardizing savings for their children’s education or their own retirement.

For the local congregation. Churches that call pastors who have onerous levels of debt may experience the effects of stress in terms of the quality of performance and service they are given. A pastor tired from moonlighting may have less to give the congregation, and the burden of debt on a modest compensation package may provide an incentive to seek another call.

Further, the issue of personal financial management has a great impact on how theological students are likely to manage church finances in the future. Those who struggle to balance their personal budgets may also find it difficult to manage church finances. Clergy who are poor personal fiscal managers are less likely to competently guide their congregation in making decisions about church assets and may be less able to teach and lead stewardship campaigns

For the larger Church. Denominations and other communities served by theological school graduates may find fewer job candidates for the most challenging and low paying forms of ministry. The talent pool may be further reduced by those who delay their entry into ministry or those who abandon their calling all together because of financial constraints. What talents and gifts are lost to the church and the world because of indebtedness? We will never know.

For the theological school. Theological schools may also be affected by heavily indebted graduates. Certainly a theological school will fail to fulfill its mission completely if its graduates cannot afford to accept calls to ministry. Debt-strapped alumni may not be willing to recommend their theological school—or ministry in general—to others. The most financially knowledgeable prospective students may avoid theological schools whose graduates have high levels of debt and rates of default. More and more denominations are challenging their schools to measure and report levels of indebtedness.

Possible Solutions

Partners in Stewardship emphasizes that just as the problems of theological school debt ripple far beyond the individual student, so too, the solutions for the problem must reach beyond the student to the school and the wider world in which he or she lives and works.

Partners in Stewardship lists a number of possible means that denominations, churches, and schools may employ to address this problem. Some of the listed solutions are realistic for only a few schools. Among these are (a) providing massive scholarships, (b) ceasing participation in the federal loan programs, (c) developing low-debt educational tracks for part-time study, (d) screening applicants to defer admission of high-debt and high-risk candidates, and (e) improving compensation in the Church. Not all schools can seriously consider these more radical ideas, but some schools have taken these steps.

This publication focuses on some of the least expensive, most effective measures to combat excessive debt: educating the borrower. Schools that carefully lead their students through financial planning and well-thought-out decisions to borrow are able to reduce debt to the necessary minimum.

"I am no longer in the pastoral ministry, in part because of the debt." ALUMNI SURVEY RESPONDENT

"Thank you for caring about this silent clergy-killer. Most parish salaries cannot even scrape the top off and provide relief...." ALUMNI SURVEY RESPONDENT

"We are unable to get a mortgage because of our student loan." ALUMNI SURVEY RESPONDENT

"I couldn't even consider taking a job in ministry once the student loans became due. I had to return to my previous profession... in order to pay the student loan debts." ALUMNI SURVEY RESPONDENT

II. Major Issues in Helping Students Manage Debt

Overarching Considerations

Theological schools have the potential to help their students manage the acquisition of educational debt by providing them with information and financial planning resources. Reorienting a school to accomplish this goal requires change, and change has its challenges and costs. Suggested here are some of the broad issues to ponder.

Each theological school should consider, in light of its mission and tradition, how it may view intervening in the personal, financial decisions of its students. Some schools may be uncomfortable participating in students' financial planning. Such schools may choose to ignore borrowing by students, or by action or inaction encourage borrowing. By contrast, many ecclesial traditions involve themselves in forming the students in both curricular and non-curricular ways while they are involved in theological study. Schools in those traditions often do not hesitate to counsel and direct students regarding their personal finances. A middle way—described in this publication—is to provide excellent financial planning resources for students, and then let them make their own well-informed decisions.

A second major issue is the extent of a school's dependence on borrowing to maintain enrollment. Many schools are tuition-driven or tuition-dependent. To what extent is the tuition paid through borrowing? Financial planning for

"Our financial aid office will provide Admissions with prior educational debt of applicants so that the level of debt is considered during the admission process."
THEOLOGICAL SCHOOL FINANCIAL AID OFFICER

"Over time, I realized that I needed to enlarge my focus from simply meeting federal loan regulations and ensuring students' rights to borrow to include the larger issue of debt reduction. Many people at our seminary worked together to change the common misconception that borrowing is routine and inevitable for seminarians. By implementing a planning program, we helped students move toward creative ways to borrow less and to borrow these lower amounts based on income potential and financial realities, not on the federal annual maximum loan amount." THEOLOGICAL SCHOOL FINANCIAL AID OFFICER

Auburn has recently completed a ten-minute video

for theological school boards and administrators, *Fostering a Culture of Responsible Stewardship,* which highlights how one seminary (Luther Seminary in St. Paul, MN) has addressed student debt from multiple approaches. The video is available at: www.AuburnSeminary.org/CSTE.

students may lead some to choose to defer their attendance, attend part-time instead of full-time or even choose a less expensive school. *It may be difficult, therefore, for a school to enable its students to avoid borrowing if it is also having enrollment or retention difficulties*.

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 salary levels, or is it willing to make such an investment? Does it have the flexibility to institute or expand evening and part-time programs to help students keep their day jobs while attending theological school? 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 give to its governing board for review.

While creating a financial planning program involves structural changes, time and funds, it will yield positive results. *Auburn's alumni survey shows that the two most significant factors in lowering financial stress among theological school graduates are the quality of financial advice provided by the theological school and an accurate understanding of future earnings.* Theological schools that have made the effort have found that the information and counseling they offer have helped students reduce their debt burden because they understand the implications of borrowing and learn ways to avoid debt.

"Unless significant changes are made, and soon, theological education will be out of the reach of many prospective clergy, and especially younger persons."

ALUMNI SURVEY RESPONDENT

III. Implementing a Financial Planning Program

The Financial Planning Process

Several concrete steps are necessary to establish a planning-based approach to financial aid, including providing information, budgets and education. There are administrative requirements as well: the designation of a planning officer, researching alumni compensation, establishing points of control and reporting.

Set objectives

A theological school embarking on a new, planning-based approach to financial aid should organize its program around the ultimate goal of decreasing the educational indebtedness of its students and graduates so that they can best fulfill their call to ministry. The theological school must commit itself to developing a comprehensive program that accomplishes four major objectives:

- Address the financial needs of prospective, continuing and graduating students.
- Focus financial planning on a variety of sources.
- Provide useful, up-to-date information.
- Educate students about the implications of their borrowing.

In addition, many schools will also want to offer a comprehensive program in Biblical stewardship. A financial planning program should address the needs of all student constituencies: applicants, continuing students and graduating students. For each of these groups, the program should encourage a three-part approach to funding theological education.

The most effective funding pattern has three parts

- Scholarships and/or grants from the theological school.
- Support from congregations, denominations, foundations and individuals.
- Student savings, student and spousal earnings, family help and frugality.

These sources should enable a student to get through theological school with a minimal amount of borrowing. Financial matters are harder for the seminarian if any of these sources is not contributing to the whole.

Supply up-to-date information

Many applicants and continuing seminarians lack realistic information regarding the true cost of attendance (including living expenses), the implications of borrowing for education, including reasonable levels of debt, and how to research funding sources that can reduce borrowing. The financial planning officer must work with prospective and current students to educate them about these topics and their options. Throughout this process, the officer needs to use tact and be sensitive to the individual student's financial resources, age and family situation, theological perspective, and privacy concerns.

Calculate the true cost of attendance and living

If a theological school does not furnish applicants with this information, they must begin to do so, and this effort may include additional data collection. More information is necessary than in the past because of the varied backgrounds of today's theological students.

Create a budget

One of the financial planning officer's most important tasks is to help students build annual budgets that reflect seasonal expenses and earning fluctuations, ideally on an electronic spreadsheet. Budget planning at this level of detail is a time-consuming but worthwhile process. Theological schools using this approach have found that after a careful budget review, their students almost always borrow less than they had originally planned.

Among the most important data points for constructing an individual budget are:

- Cost of attendance: tuition and fees (full-time and part-time), books and educational supplies.
- Availability of theological school-based scholarships and grants, the percentage of students receiving them, requirements and deadlines for applying for grants and scholarships and the median amount granted per academic year.
- Medical and dental insurance offered through the theological school.
- On-campus residential options and room and board costs.
- Off-campus living options and costs.
- Cost of groceries.
- Cost of personal expenses (such as clothing, recreation, sundries; also church contributions and other charitable costs).
- Transportation costs (public and/or a car).
- Child care and school costs.
- Extraordinary expenses (such as alimony/child support, special or uncovered medical costs, etc.).
- Opportunities for student employment, on- and off-campus.
- Opportunities for spousal employment, on- and off-campus.

It is also crucial for the financial planning officer to undertake a similar personal budgeting process with graduating students. Computer programs enable students to select the state in which they intend to live and then estimate income taxes and housing costs for that state.

This exercise provides an easy, visual way for students to think about how much they can afford in rent and car payments given their loan burden. Some theological schools also offer to advise students after graduation if they are in danger of defaulting on their loans.

Educate students about the implications of borrowing

Educational loans are readily available to students without stringent standards of creditworthiness. In this environment, theological school students may be tempted to borrow more than they can reasonably afford to repay—in fact, over half of the respondents to the Auburn study disagreed with the statement, "I was aware of the monthly amount that would have to be repaid at the time I took out my loans."

The financial planning officer should regularly educate prospective and current students about:

- Loan types and facts, including how to read and interpret the fine print.
- Interest rates.
- Ranking debts by interest rate.
- Debt consolidation options.
- Income-based repayment plans.
- How to calculate monthly payments—which the prospective borrowers should then memorize.
- How to calculate reasonable levels of debt based on loan amounts and monthly payments on the one hand and expected salaries on the other.

A webinar is available on Income-Based Repayment plans at www.AuburnSeminary.org/CSTE

Encourage students to research other financial resources

Financial planning officers also need to educate students about funding sources beyond loans and scholarship opportunities at their own theological schools. They must encourage students to seek out grants and other funding options from their denominations and home churches. They should inform them about additional resources for specific forms of ministry (such as urban or rural) and for specific classes of candidates (such as women and ethnic minorities). The Forum for Theological Education maintains an extensive searchable online database (FundFinder) of scholarships and fellowships.

Assess aid applications

To help students make the best possible educational borrowing decisions, the financial planning officer must assess—not simply process—financial aid forms to help prevent students from making unconsidered loan decisions. This assessment has several steps:

- First, review completed financial aid forms, not only for completeness and accuracy, but also for the amount requested.
- Second, review the amount requested against the student's previous educational and personal debt, using information from internal files and the National Student Loan Database (http://www.nsldsfap.ed.gov).
- Finally, in consultation with the individual applicant or student, review his or her personal and family financial resources and overall situation.

Income-based repayment plans

At first glance, income-based repayment plans, which set graduates' repayment as a percentage of their incomes, appear to be a godsend for graduates who are entering a relatively low-paid profession. Although repayment is extended from the traditional ten years to twenty or twenty-five years, graduates can be assured, as long as their income remains below a certain threshold (as determined by their IRS tax returns), that their repayment amounts will be a manageable percentage of their income. For seminary graduates who carry significant student debt, this will be a welcome relief.

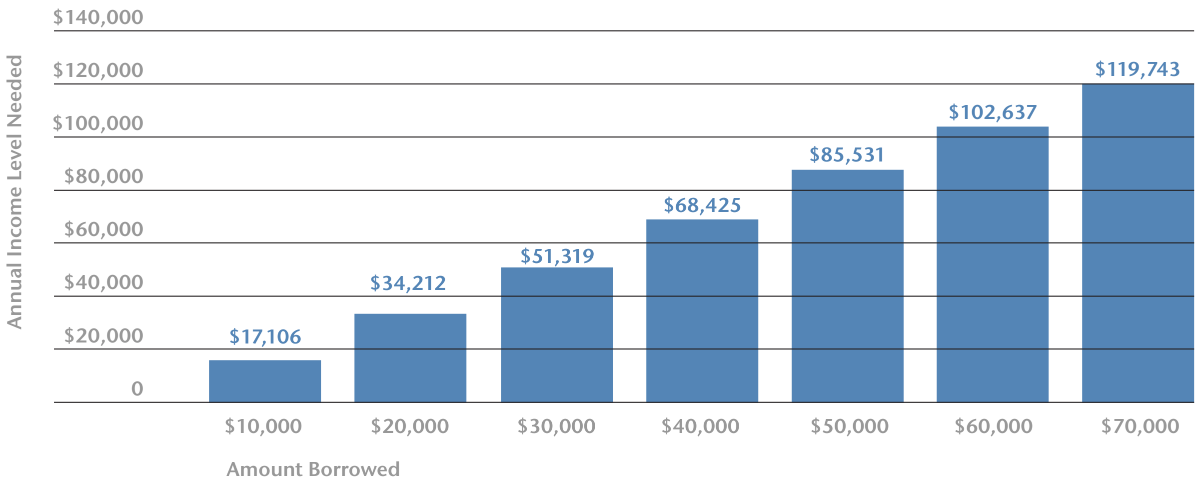
Caution is needed however. At the end of the repayment period (which varies by program), any unpaid loans (and interest accrued) are forgiven—and are then considered taxable income for the graduate. In addition, living with two decades of debt repayment is an onerous prospect for most people and can be corrosive to the spirit.

Finally, there are some who fear that income-based repayment plans will encourage greater debt, as students need not fear they will be overwhelmed with high monthly payments on their loans. These cautions should be included when sharing information about these plans with students.

The Forum for Theological Exploration maintains an extensive searchable online database of scholarships and fellowships. http://fteleaders.org/fundfinder

Figure 3: Annual Income Levels Recommended to Service Educational Loans on a Standard Ten Year Repayment Plan

Loans for Ten Years at 6.8%



Strategies for Success

As part of their counseling role, financial planning officers should adopt and create simple measures to help ensure success. The Auburn Center's research has uncovered effective techniques used at various theological schools, a number of which are listed below. Undoubtedly, theological schools that implement financial planning programs will discover still more.

Require loan interviews

Interviews are required by the federal government for students seeking loans for the first time, but theological schools should consider requiring an interview before *any* loan is taken by the student. Indeed, some schools require two interviews—one to determine the student's eligibility, and the second to review the student's financial plan.

Require memorization of monthly loan payment

Figure 3 shows the recommended income level needed to repay loans on a ten-year repayment plan. Students should always be asked to memorize the monthly loan payment amounts. Spouses should also commit these figures to memory. This way, students will never underestimate their total loan payments when they make decisions about additional loans or consider purchases that will increase their consumer debt.

Require a financial plan

A small business owner seeking a bank loan to expand must submit a business plan to the bank's loan officer. The business plan must show a realistic projection of the revenues and expenditures of the business and demonstrate that these are sufficient to meet the loan payment to the bank. The school's procedures for the second interview can require students to submit a financial plan—a plan that convincingly shows, on the basis of expected post-graduation income, that they will have sufficient means to repay their loans. Students' financial planning should take into consideration that there might be some gap time between graduation and first call.

Encourage full family contribution

The fact is that most theological student and clergy spouses must work outside the home to provide essential income for living expenses. This issue must be faced honestly in order to ensure new pastoral families who are fiscally healthy.

> “Advise those who want to be free to preach the gospel to avoid becoming slaves to debt.”
>
> ALUMNI SURVEY RESPONDENT

Anticipate and slow down the debt acquisition process

Typically, students are eager to apply early for loans because of the erroneous assumption that loan money, like grant money, becomes depleted over time. Financial planning officers should encourage students to slow down and emphasize that Stafford money never runs out. Some students do need money right away, but most are unsure when they will actually need the funds. Time and information help to slow down the acquisition of debt. Some students also manage to wait until the last minute to apply for loans—a rushed process that can lead to the thoughtless acquisition of more debt than is necessary. Therefore aggressive reminders of the financial aid due dates are necessary.

Position frugality as a positive choice

Following a ministerial call involves some level of personal financial sacrifice, and a life in ministry is philosophically and theologically suited to modesty and simplicity no matter what the fiscal realities. Students should come to view frugal choices as positive attributes of a chosen lifestyle. Additionally, they should realize that some cost-saving choices they make during theological school—such as living with roommates—are temporary measures that may have long-term benefits in terms of debt reduction. Nevertheless, it is important that a student budget feel positive, not punitive, and therefore contain some latitude. If it does not, the student will experience stress and may not be able to adhere to targeted spending levels.

A note on financial counseling with theological students

A recent survey of seminary students found that 85 percent said a call from God was important in their decision to attend theological school. Over two-thirds also said that the desire to discern God’s will was important in their decision to attend seminary.[2] It is not surprising then that so many students believe that God will provide for their needs, both while in seminary and in their ministries after graduation.

This theological conviction presents a challenge for those who are engaged in financial counseling with this student population. Other research has shown that the more strongly a person believes that he or she is called to a particular vocation or work, the more resistant he or she will be to any adverse or discouraging advice.[3] In light of the deeply held belief that one is obeying one’s calling, rather than painting a dire picture of a person’s future finances if he or she is highly indebted, it might prove more useful to emphasize that one’s calling will be jeopardized by high levels of debt. *Affirming students’ sense of call, and offering financial counseling to minimize debt as an avenue to helping them fulfill their call,* will be an important dimension of any outreach.

2. 2011 Entering Student Survey (ESQ), Association of Theological Schools. The ESQ, the Graduating Student Survey and the Alumni Survey are provided for a fee to ATS schools.

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

IV. Administrative Reporting and Other Issues

Reporting

One of Auburn's surprising findings is that a fair number of schools do not generate regular reports on student indebtedness, despite the expressions of serious concerns by senior administrators and board members. Not only should there be regular reports as part of the institutional "dashboard," but the reports should effectively disclose and describe the situation.

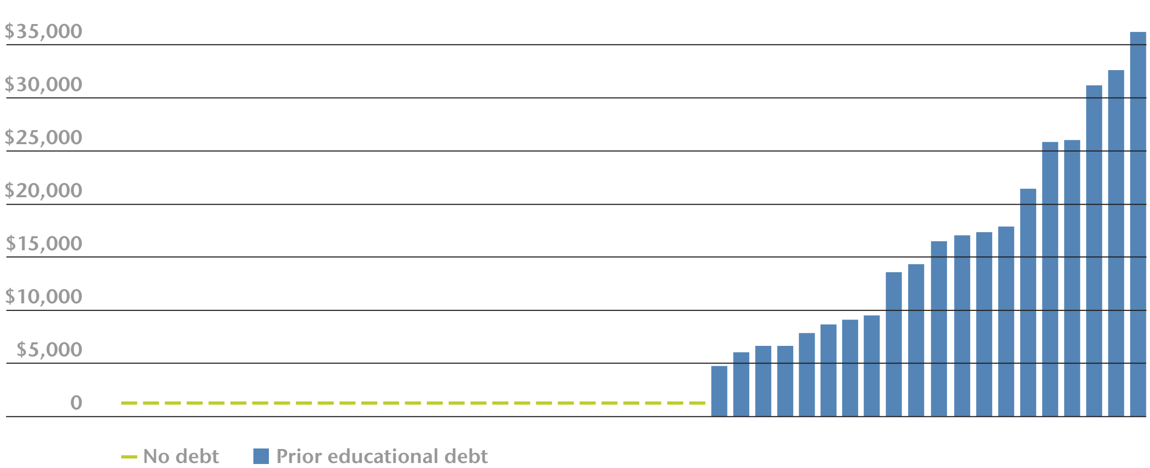
The educational debt of every student should be reported each year. However, individuals should not be named or their information disclosed to anyone outside the financial aid office and senior administration. Figure 4 shows a useful way of reporting graphically the educational debt level of a theological school's entering class. Each vertical bar represents an entering student. The students/vertical bars are sorted from left to right according to the amount of prior educational debt they bring with them, from the lowest (zero in this example) to the highest, which in this case is over $35,000. These educational debts are from undergraduate education and, in a few cases, other graduate education prior to enrollment in theological school. The average prior educational debt is just under $16,000—which may not sound too alarming in this day and age, but that simple statistic may be falsely reassuring.

Any board member, president, vice-president, or dean who sees such a graph will immediately want to know if these newly arrived students—especially the heavy borrowers—have realistic plans to finance their theological education and graduate with a manageable debt load. If the students do not, there is indeed cause for alarm. Graduating a student with unmanageable debt undermines the student's chances of productivity in ministry – and that, in turn, undermines the mission of the school.

The rapid increase in undergraduate borrowing underscores the need for excellent personal financial planning in theological school. *Indeed, it underscores the need for excellent personal financial planning before enrolling.* Heavy educational debts, along with consumer

Figure 4: Undergraduate and Prior Debt of an M.Div. Entering Class

27 out of 47 students had no debt



debts for automobiles, credit card charges and other expenses, rarely go away when someone enrolls in theological school. Indeed, they are likely to worsen given the high interest charges associated with consumer debt. *High debt should be a "red flag" for admissions officers and committees. Schools should strongly consider a policy that defers the enrollment of otherwise qualified applicants if the applicants have no apparent way to relieve themselves of their credit burdens while in school without incurring additional unmanageable debt.*

Reports should include three additional graphs showing debt levels of current students entering their second, third or greater year, and of the most recent graduates. The debt acquired in theological school would be added to each student's "stack." The example in Figure 5 shows both prior and theological debt for a graduating class from 2011.

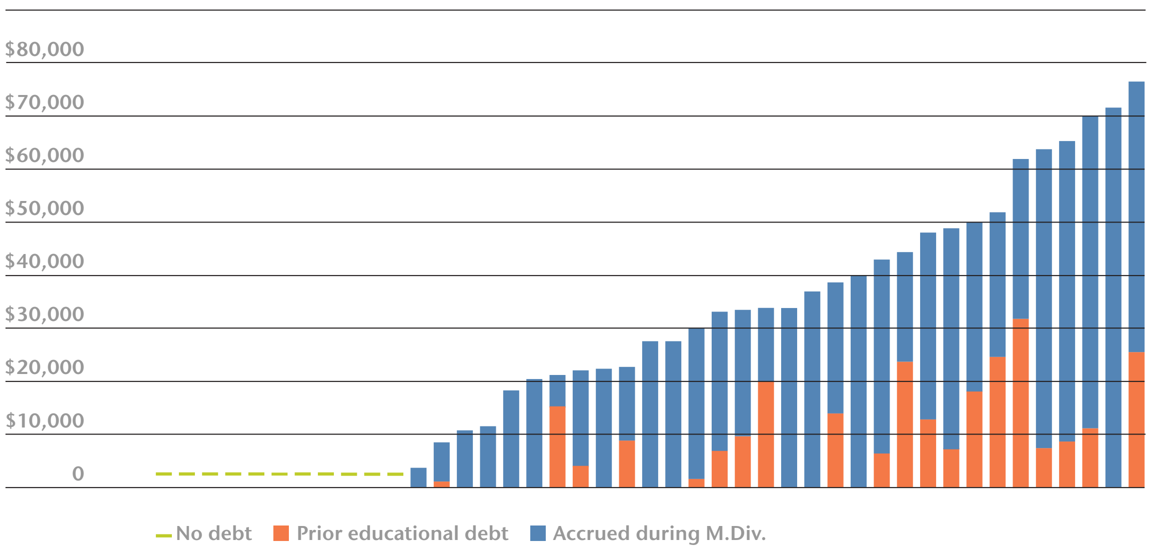
Some schools wring their hands and bemoan the problem of debt—and then do nothing about it. Reporting the debt levels in this manner is an effective way to begin the conversation at an institutional level. As mentioned, any board member or senior officer seeing a graph that shows students with large debts will immediately want to know how these debts came about and whether or not something can or should be done. The school can consider and embrace procedures for student financial planning described in this publication, so as to assure the board, its external constituency and prospective students that all students are fully informed and aware of their loan responsibilities and have engaged in personal financial planning that takes into account their likely future income as theological school graduates.

Useful research

Most theological schools do not track the compensation rates of their recent graduates—in fact, only 23 percent of theological schools report that they do so. If a theological school does not have baseline data available about average salaries for its graduates, it must begin to collect this information, particularly for graduates in the first three years of their ministries. In small theological schools, this process can take place by phone, while email or letter may be more effective for larger institutions. Beginning with the current graduating class, this information can be

Figure 5: Educational Debt of a 2011 M.Div. Graduating Class

11 out of 43 students had no debt



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 substituting grants for loans.

gathered as the students leave the theological school, so that the ongoing maintenance of the database need not be an onerous task. Theological schools should bear in mind that accurate knowledge of future compensation is one of the two key predictors of lowered financial stress among graduates.

One should not assume that students will graduate and move immediately into a full-time professional position. Data should also be collected on the average length of time to first employment or call.

Staffing: new roles and responsibilities

If a theological school decides to make a commitment to helping its students manage their educational debt, it is necessary to designate a member of the administration as the student financial planning officer. The person who takes on this role will vary according to the school; theological schools have tapped the dean of students, the admissions officer, or the financial aid officer. No matter who is entrusted with the financial planning responsibility, the financial aid officer will almost certainly need to take on duties in addition to loan processing, such as data collection and reporting. Theological schools must recognize that the roles and responsibilities of either one or two staff members will change. *This change may require investment in training and professional development, and it will likely necessitate an adjustment in lines of authority.* If the financial planning officer is not a senior administrator, he or she should be able to call upon a senior administrator for support and guidance in dealing with difficult individual cases.

One of the key concerns is time. A financial planning officer would do more than someone who only processes financial aid forms. As envisioned here, a financial planning officer would review and assess the financial aid forms of applicants, review the in-school projected budgets of students applying for aid and review the postgraduate financial plans of students with loans. Extra time—probably several appointments with the student—would be necessary for the most difficult or most heavily indebted cases. The financial planning officer would review and discuss budgets and plans with individual students, but the bulk of the work would or should be done by the students themselves.

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 substituting grants for loans.*

V. Financial Planning Resources

Any tool must be individualized for the institution, its history and theology, its student body and its locale. A sampling of resources, gathered from a number of theological schools, appears below:

- **Debt Reduction and Ranking Calculators**

  Web calculator used for interest of educational loans:
  http://www.finaid.org/calculators/scripts/loanpayments.cgi

  Web calculators used for interest of credit card debt:
  http://cgi.money.cnn.com/tools/ or http://partners2.financenter.com
  www.anderson.edu/sot/admissions/countingthecost.html

- **Student Budget Worksheets**
  www.upsem.edu/admissions/financial_aid1
  www.lancasterseminary.edu/site/Default.aspx?PageID=92
  www.lpts.edu/admissions/financial-matters/tuition-grants/income-and-expense-worksheet

- **Financial Planning Tool for Postulants and Candidates for Holy Orders in the Episcopal Church**
  https://www.cpg.org/seminarians/retirement/planning-for-retirement/retirement-tools-resources/planahead-online

- **Brochure on Affordability Featuring Student Narratives**
  http://www.gordonconwell.edu/financial-aid/financial-aid-brochure.cfm

- **Flexible Payment Plans to Deter Loans**
  www.knoxseminary.edu/getting-started/flexible-payment-plans

- **Financial Coaching Handbook with a Template for "Money Autobiographies"**
  http://www.ltsg.edu/files/ce/ce0e0deb-14e3-42b8-8ee0-9529e5f4c353.pdf

- **Financial Wellness and Stewardship Tools for Students and Their Families**
  www.wartburgseminary.edu/template_FutureStudents.asp?id=495

- **Workshops to Address Financial Matters**
  www.ptsem.edu/Student_Life/Admissions_and_Financial_Aid/Admissions/finaid/index.aspx?id=7880

- **Blogs about Financial Aid and "Living Like a Student"**
  www.denverseminary.edu/managing-your-moolah
  http://frugalcommunity.wordpress.com

- Finally, effective outreach to students does not always require sophisticated financial expertise or technological innovation. At the end of the day, attention and creativity can also do the trick. Here is a link to photographs of how Garrett-Evangelical Theological Seminary highlighted its financial aid orientation through notices on a bulletin board:
  https://www.garrett.edu/admissions-financial-aid#fiscally-fit-tips

There are a number of resources available for you on our website:
www.AuburnSeminary.org/Finance-and-student-debt

Videos:

- *Fostering a Culture of Responsible Stewardship:* Highlights how one seminary has addressed student debt from multiple approaches. Particularly appropriate for boards and senior administrators of theological schools. (10 min.)
- *Are You Mortgaging Your Ministry? Student loans and seminary costs:* This video highlights five recent graduates and some of the challenges they faced and decisions they made regarding the financing of their education. Appropriate for current and prospective students, particularly useful for orientation. (30 min.)

Webinar:

- *Income-based Repayment Plans for Theological School Graduates:* This webinar for financial aid officers, admissions staff and student personnel at theological schools discusses the latest government regulations for income-based repayment plans for federal educational loans. This information will assist financial aid officers and others who counsel students and recent graduates in repayment options as they move into ministry. (Available as a 30 minute webinar or PDF slides)

Research Reports:

- *Partners in Stewardship:* The best way to manage student debt: This report analyzes educational borrowing of theological students, updates data from the previous study and offers suggestions for how schools can decrease student borrowing and mitigate some of the effects of debt among their students. (Forthcoming, Spring 2014)
- *The Gathering Storm:* The educational debt of theological students: The 2005 report documents the growing debt, the impact it is having on seminary students and how schools are seeking to address the issue.
- *Manna from Heaven? Theological and rabbinical student debt:* The 1995 report outlines the emerging issue of educational debt, who carries the highest levels of debt, and what schools and religious bodies are doing to address debt among their students.
- Auburn Background Reports: *Models of Manageable Educational Debt, Essays and Reflections on Seminary Student Debt,* and *An Analysis of Educational Debt among Theological and Rabbinical Students:* These 1995 reports and essays provide an in depth look at the issue of theological student debt.

Worksheets and Other Tools:

- Resources and Tools: a PDF compendium of helpful website and curricular initiatives
- Theological School Indebtedness Project: a PowerPoint presentation of resources and tools for financial planning and debt management.
- Budget and spending worksheets
- Loan affordability calculator
- Debt repayment plan worksheet
- Post-graduation budget plan

About Auburn Theological Seminary

Auburn Seminary 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 freestanding 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 in theological education, an enterprise that Auburn believes is critical to the well-being of religious communities and the world that they serve. Auburn Seminary also sponsors the Center for Church Life, to help strengthen the leadership of mainline churches, and the Center for Multifaith Education, to provide lifelong learning for persons of diverse faith backgrounds.

Auburn Center for the Study of Theological Education

Sharon L. Miller, Interim Co-Director
Anthony T. Ruger, Interim Co-Director
Kim Maphis Early, Research Consultant

Auburn Theological Seminary
3041 Broadway at 121st Street, New York, New York 10027 | T: 212.662.4315 | www.AuburnSeminary.org