Sixty-seven theological schools share strategies for reducing student debt

By Jo Ann Deasy

Rising tuition costs for students, shrinking sources of revenue for institutions, and lower salaries for clergy in the United States and Canada have led to significant financial challenges for future ministers pursuing theological education. But in 2014, more than 60 schools began projects to address these issues. Through research, innovation, education, and collaboration, these institutions are working together to address the issue of student debt among their students.

These schools are a part of the Lilly Endowment Initiative to Address the Economic Challenges Facing Future Ministers (ECFFM), coordinated by The Association of the Theological Schools. Schools received grants of up to $250,000 to fund work designed to reduce debt and increase financial literacy among students. The projects are diverse, reflecting the complexity of the issue, but generally focus on one or more of the following three areas: lowering student debt through a clearer understanding of the issues and financial literacy training, reducing the institutional costs of theological education, and developing new sources of increased funding and decreased costs through collaboration with key constituents.

OVERVIEW OF THE ECFFM INITIATIVE

More than **$16.5 million** from Lilly Endowment Inc. to **67** institutions

Impacting US theological schools in **27** states

Representing **27** denominations

Reaching **17,670** students

LOWERING STUDENT DEBT

Financial literacy programs

In the first year of the project:

- 985 students participated in in 1,606 hours of one-on-one financial counseling
- 960 students participated in 3,415 hours of small group financial counseling
- 188 faculty, administrators, clergy, denominational officials, and financial experts served as financial mentors for students
- 141 financial literacy workshops and forums reached 2,947 students and 674 spouses, local clergy, alumni, and others
- 847 students enrolled in 41 courses that included a significant emphasis on financial literacy

The most significant impact seen in the first year of the initiative is in the lives of current students impacted by financial counseling or financial literacy courses. Schools report students cutting up credit cards, taking on new part-time jobs, creating detailed budgets, borrowing less, and living more simply.

> After three of nine sessions in our financial literacy class, students had already created four emergency funds, cut up three credit cards, and acquired three jobs.
>
> *—From an Annual Report*

Students expressed thanks for a safe place to talk about finances and attribute some of the change to a new "climate on campus that promoted simple, low-cost living." Perhaps most significantly, students are acquiring tools to make informed choices about their finances both while in seminary and in their future ministry contexts.

> We can see the effects . . . in the financial lives of individual students as they make budgets to live within their incomes, get second jobs, reduce consumer credit card debt, and purposefully plan for financing the rest of their education.
>
> *—From an Annual Report*

Many schools are convinced that keys to lowering student debt are early education around the financial realities of ministry, increased financial aid counseling for potential students, and intervention strategies including required courses in financial literacy for students who bring or acquire significant amounts of student loans.

Financial literacy courses and workshops, though, have not always been an easy sell. Schools have reported students who lack interest in the topic, are ashamed to talk about their own debt, believe it is a private matter, or expect God to provide the finances needed to pay off their federal student loans. Boards and administrators have been concerned about sharing the financial realities of ministry with potential students for fear of discouraging them from attending their institutions. Faculty have expressed concern about adding financial literacy courses to curricula that are shrinking as theological schools reduce required credit hours to lower costs.

Many schools are trying to shift a culture that has remained silent about finances to one that considers financial well-being as central to ministerial preparation and spiritual health. Such a shift, though, will take time. Through coordination of the ECFFM Initiative, The Association of Theological Schools will be gathering data on student debt from participating institutions throughout the duration of the project with hopes of tracking the long-term impact of these projects on participating institutions.

> When we started teaching about finances, two things happened. . . . We started getting fan mail . . . students who wrote personal notes to describe how it was changing their lives. . . . And we got push back from students saying that this was not what they signed up for . . . the message that Christendom no longer exists and that they will have to take a responsibility for being entrepreneurial that previous generations did not bear.
>
> *—From an Annual Report*

Changing how we do financial aid

As mentioned above, one of the strategies many schools are adopting to reduce student debt involves changes to their financial aid programs. More attention is being given to financial aid counseling. Students are being encouraged to create budgets and plans to pay back their loans based on estimated salaries for their particular vocational goals. Tuition discounts are being raised. Scholarship funds are being increased or redirected. Some schools are even teaching students how to raise funds in order to cover the costs of their seminary education.

> We are learning how incredibly difficult it is to create a viable model for a debt-free seminary education. The resources and life circumstances are so varied . . . if we are going to be successful, it will need to be customizable and flexible.
>
> *—From an Annual Report*

The changes to financial aid, though, have raised two significant questions. First, who exactly is struggling with student debt? And second, why does it seem that some students with full-tuition scholarships still struggle with student debt? The ATS Graduating Student Questionnaire has provided some significant data on student debt. Results from 2008 to 2012 show that, in general in the United States, women, single students, younger students, and African American students incur more debt than do their seminary classmates. (See Figures 1 and 2.) In some schools, scholarships are focused on MDiv students from a particular denomination who have a clear sense of a call to pastoral ministry upon entering seminary. Students outside those parameters often have more significant levels of debt. Other schools are finding that dual degree programs, while providing broader vocational opportunities, take longer to complete and lead to significantly more debt, often without increasing potential earnings for students when they graduate.

> It is more fiscally expedient for a student to take a full-time course load and graduate sooner, than it is to work part-time and study part-time with some student loans.
>
> *—From an Annual Report*
>
> Part-time [employment] is critically important to students if they are to pay for their day-to-day living expenses and avoid using loan money for that purpose.
>
> *—From an Annual Report*

What schools seem to disagree on is whether full-time or part-time students incur more debt. While ATS data suggest that full-time students incur more debt, this is not the case at every institution. Debt levels for full-time students often depend on resources provided by each individual institution. Some schools are choosing to focus their energy and resources on lowering debt for full-time students, while others are convinced that students must work in order to incur less debt while in seminary.

> Students today expect a more 'adult' life while in seminary, and that is a sea change whose tide is stronger than fears of debt.
>
> *—From an Annual Report*

Schools have often assumed that the best way to address student debt is to lower the cost of tuition. Initial findings, though, suggest that lowering tuition alone may not address the problem. Many students take out loans to cover living expenses such as housing, food, mobile phones, health insurance, and car payments. Schools are responding by creating websites, events, and even communal living spaces to encourage people to adjust their expectations and "live like a student." Yet this approach is not appealing for many.

> [Our school] is in the top 10 percent of those awarding tuition discounts, and the average student now receives a 70 percent tuition grant. Yet, our students borrow at close to the same rates as other ATS member schools.
>
> *—From an Annual Report*

REDUCING INSTITUTIONAL COSTS

While it is true that lowering tuition does not always reduce student debt, it still is a significant strategy for lowering the cost of theological education. Several schools have spent the project's first year creating strategies to reduce costs. They range from increased development efforts to new educational models.

Many schools are reducing credit hours for major degrees, a practice that has been common among schools seeking to reduce tuition costs. What is less common is the practice of actually tracking to see whether these new shorter degrees have actually lowered debt among the study body. Fortunately, several schools will be implementing new degree programs in fall 2015 and tracking the impact these new programs are having on student debt.

> The Seminary has come to understand that the challenges and solutions to addressing student indebtedness require a cohesive strategy that works at the student level powered by an economically viable enterprise model.
>
> *—From an Annual Report*

In 2016, a group of seminaries working on new financial models for theological education will gather in Chicago to discuss what is being learned and to share best practices. We hope that this gathering will provide some useful tools for other seminaries seeking to lower institutional costs.

COLLABORATION WITH KEY CONSTITUENTS

One of Lilly Endowment's core values for the ECFFM Initiative is collaboration. This has proven to be one of the most creative aspects of the various grant projects undertaken. Theological schools are collaborating with a wide range of partners to lower student debt, increase funding for theological education, and develop strategies to strengthen the financial literacy of students, alumni, and local clergy.

Schools are partnering with local congregations as teaching churches, developing robust contextual education programs that include financial literacy components. The partnerships are allowing schools to reinvest in their communities and to reclaim their relevance among local clergy. Others are helping to reconnect students with sending churches who then provide financial, spiritual, and emotional support to the students while in seminary. One institution has created a training program for lay leaders in local congregations, teaching them entrepreneurial skills and developing discernment processes allowing them to participate in the process of calling individuals into ministry. The program has been picked up by several local dioceses and is spreading quickly among their supporting congregations.

Schools are entering into significant discussions with sponsoring denominations about theological student debt and its potential impact on future ministers. Some denominations have been talking about this issue for several years and are providing significant resources to local seminaries, particularly in the areas of financial planning and placement services. For others, the data on student debt is surprising. After holding a two-day ministry consultation with denominational leaders in the region, one school reported that those attending "were shocked and saddened by what they heard. Most were unaware that student debt was an issue at all." Another noted that alumni seemed unaware that their denomination had significantly reduced funding for the seminary. As a result of data shared through the ECFFM Initiative, one denomination has developed a workgroup on student indebtedness that will be reviewing research and discussing ways to address this vital issue.

Several national financial literacy programs have become significant partners with a number of schools involved in the ECFFM Initiative:

- Ron Blue Institute for Financial Planning
- Crown Financial Ministries
- Dave Ramsey's Financial Peace University
- Everence, a faith-based financial services organization
- The Lake Institute on Faith & Giving

Schools are also partnering with local financial advisors, experienced clergy, the National Association of Church Business Administrators, the National Leadership Roundtable on Church Management, and other organizations to develop financial literacy resources for their students. These partnerships, while a great resource, have also prompted schools to develop better training and vetting processes for advisers. To be effective in this context, for example, financial advisers need to be aware of clergy salary structures and tax law as well as the theological convictions institutions have about money and finances.

Most of these partnerships have been valuable and encouraging, but they have also highlighted for several schools how out of touch they are with their constituents. Schools are finding donors and denominational officials who think seminary education is irrelevant, who question the cost of theological education, or who simply don't know anything about the school's current institutional mission and faculty. Discussions about financial literacy and student indebtedness have allowed them to enter back into the conversation but have also highlighted the need to rebuild trust that was lost over the years.

CONCLUSION

In its first year, the Lilly Endowment Initiative to Address the Economic Challenges Facing Future Ministers has had a significant impact in the lives of hundreds of seminary students. Through the research undertaken, the financial formation offered, and the partnerships developed, it is shaping conversations in theological institutions, local congregations, and denominations with the potential to bring about a dramatic change in the way we educate future ministers in the United States. This next year will see a refinement of projects, adjustments made in response to lessons learned, and a movement toward sustainability and structural change. May these institutions have the courage, wisdom, and strength to address this complex and crucial issue.

> I would like to tell you that we are "enthusiastic" about the program, but that word does not really capture our sense of the potential of the initiative . . . we are already seeing profound differences in the ways [our students] think about finances and fundraising, and observing a distinctly advanced framework of ministry and leadership that is emerging.
>
> *—From an Annual Report*

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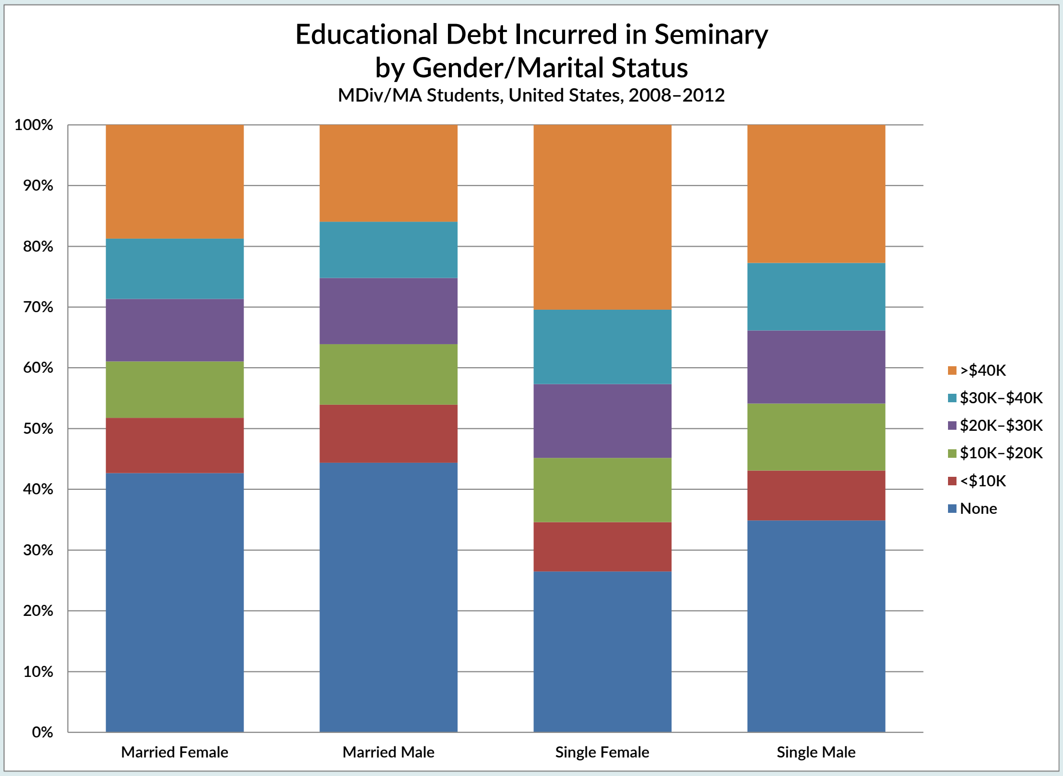
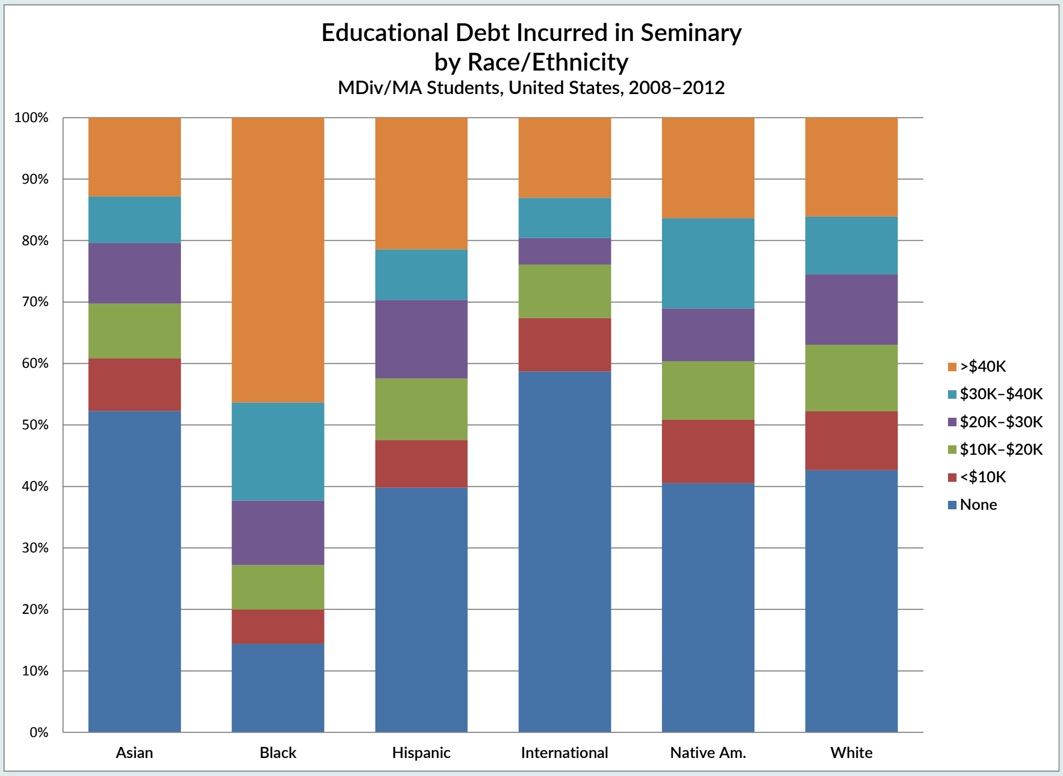
FIGURE 1. Educational debt incurred in seminary by gender/marital status



Single female students are among those most impacted by student debt in seminary. This has raised questions about the availability of financial resources for women students as well as highlighting the significant financial contribution of working spouses, both male and female, toward theological education.

Data from the 2008–2012 ATS Graduating Student Questionnaire representing more than 27,700 students from 156 institutions.

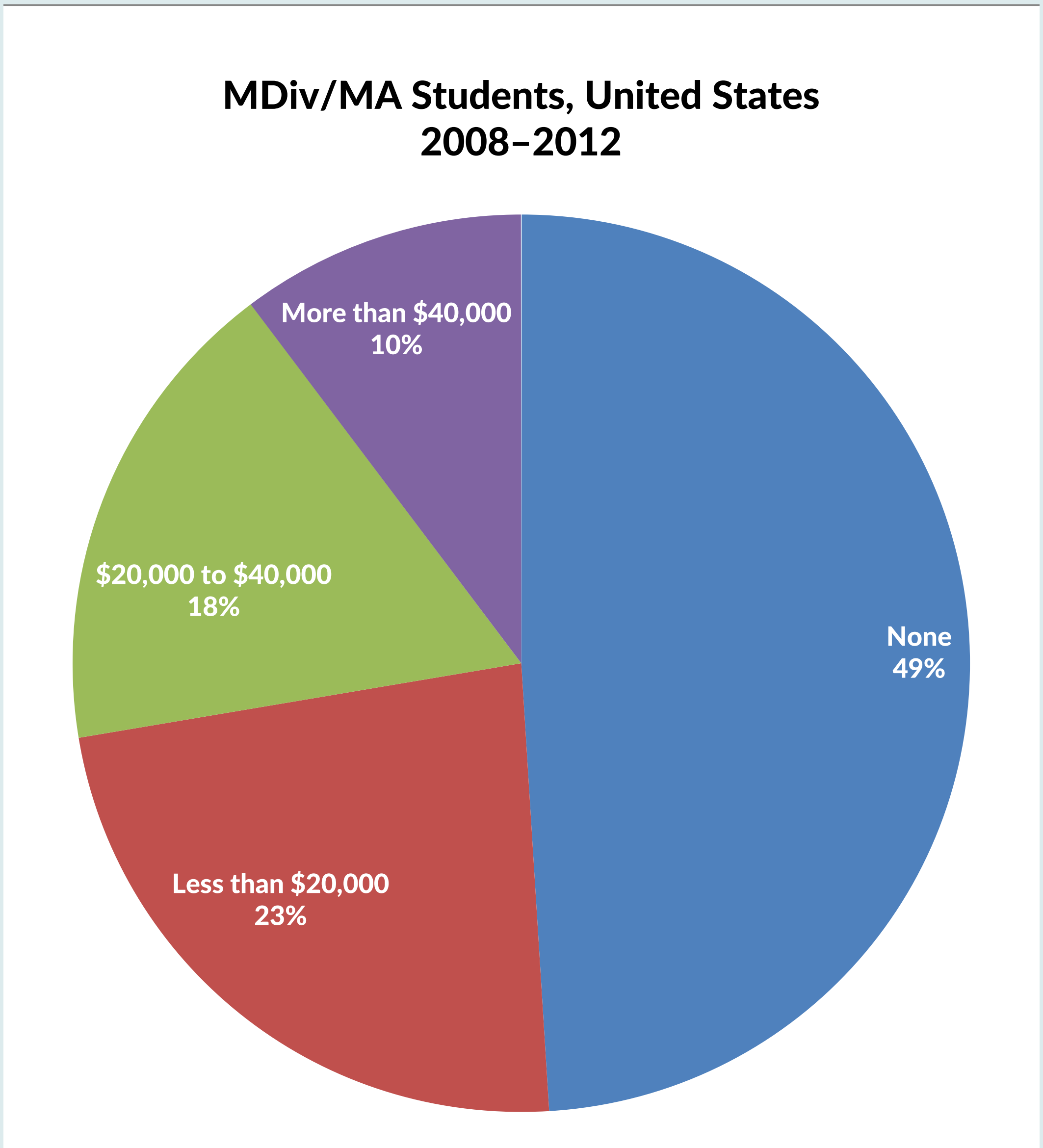
FIGURE 2. Educational debt incurred in seminary by race/ethnicity



Black students are significantly more impacted by debt in theological schools than are other students, highlighting historical economic inequities in the United States. Lilly Endowment and ATS see this as a significant issue and will be gathering a peer group of 25 representatives and experts to address this issue in 2016.

Data from the 2008–2012 ATS Graduating Student Questionnaire representing more than 27,700 students from 156 institutions. Categories draw upon US Census categories. It may be important to note that international students are often not eligible for federal student aid.

FIGURE 3. Educational debt incurred in seminary by MDiv/MA students



Student debt is a significant issue for theological schools in the United States and Canada. However, it is important to note that 52 percent of MDiv and MA students in the United States from 2008 to 2012 incurred no debt while in seminary.

Data from the 2008–2012 ATS Graduating Student Questionnaire representing more than 27,700 students from 156 institutions. Since Canadian Schools were not a part of this initiative, they have not been included in this data. It is important to note, however, that student debt, while different in Canada, is still a significant issue for ATS member schools.