

Navigating the complexity of federal student loans: tips for advising students

By JO ANN DEASY

Last month, ATS hosted a webinar through the Economic Challenges Facing Future Ministers Initiative with student loan expert, Heather Jarvis. The webinar highlighted the increasing complexity of the United States Federal Loan program and the many options that students must navigate in order to make the most financially wise decisions about educational debt.



The webinar addressed topics of critical importance to theological school professionals: best practices for counseling students and graduates, loan forgiveness programs, repayment plans, and legislative and policy updates.

Below are four key points from the webinar:

1. Most students don't understand the actual long-term costs associated with various payment options.

A student who has \$50,000 in loans at graduation ends up paying more than \$15,000 in interest with a standard repayment plan. Students who opt for income-based repayment plans accrue even more interest, and while their balance may be forgiven after 20 or 25 years, that balance is taxable and may take another 5 to 10 years to pay off.

2. There are numerous options for repayment, each with different rules and processes.

Whether or not a borrower is eligible for a particular payment plan can depend on the amount they earn, the

amount their spouse earns, when they first borrowed, whether they had a loan balance in a given year, and what type of organization they work for. The structure of the payment plan itself varies as well. Payment amounts can depend on the amount they earn individually or jointly with their spouse. The number of payments vary from program to program. Only direct loans are eligible for most current repayment plans, and in some cases older loans have to be consolidated before they are eligible for a repayment plan. Students need help thinking through all their options before they graduate in order to make the most informed choices about repaying their loans.

3. In order to qualify for public service loan forgiveness, graduates must work at least 30 hours in activities "unrelated to religious instruction, workshop services, or any form of proselytizing."

While few clergy serving in traditional roles within a parish or congregation will qualify for public service loan forgiveness, an increasing number of graduates are

moving into more non-traditional forms of work and ministry that may allow them to qualify. In addition, graduates moving into bi-vocational ministry may consider taking a second full-time job that would qualify them for loan forgiveness after 10 years of service.

4. People who have complicated student loan circumstances would benefit from personalized guidance.

While most loan providers, including the US federal government, provide support structures for borrowers, those structures have not always kept up with the growing complexity of federal loan programs, and the advice given sometimes focuses on what is most convenient for the lender rather than what is best for the borrower. Theological schools can help their students make more financially wise decisions about student loans by providing adequate loan counseling that focuses on the needs of the student and their future vocational goals.

The webinar was presented as part of the Economic Challenges Facing Future Ministers project, funded by Lilly Endowment, Inc. Watch the full webinar: [Five Things Every Theology School Professional Needs to Know about Student Debt.](#)



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Heather Jarvis is an attorney and nationally recognized expert specializing in student loan law. She has been providing loan education and consultation for universities, associations, and professional advisors since 2005 and has recently consulted with several ATS schools participating in the ECFFM Initiative.

More from Jarvis can be found at askheatherjarvis.com.