



Auburn Research on Educational Debt
Economic Challenges Facing Future Ministers
April 7, 2014



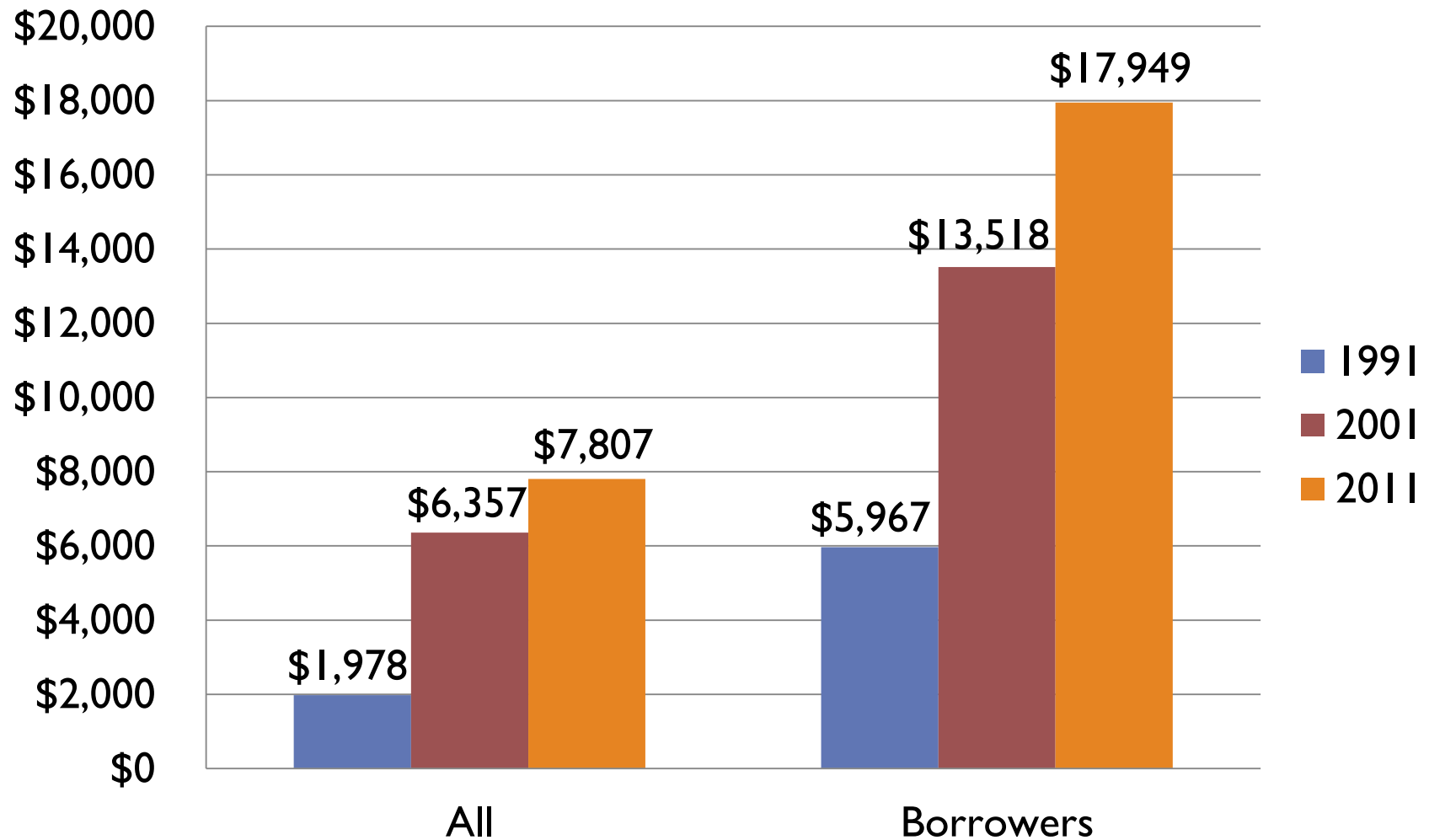
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Outline

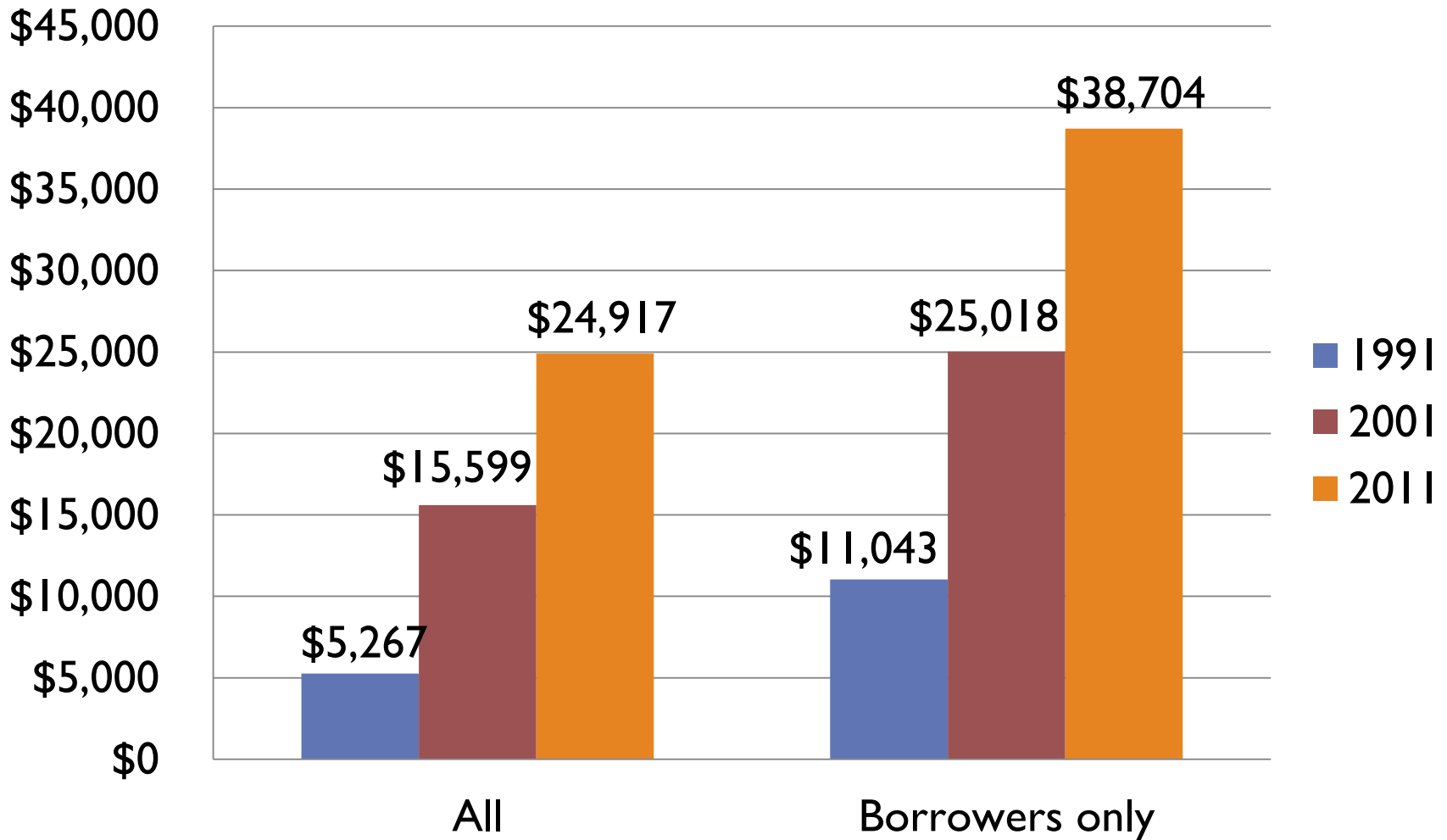
- ▶ Levels of debt
- ▶ Distribution of debt
 - ▶ Among schools
 - ▶ Among students
- ▶ Graduate testimony
- ▶ Thinking about what to do
 - ▶ Students
 - ▶ Schools
- ▶ A new wrinkle



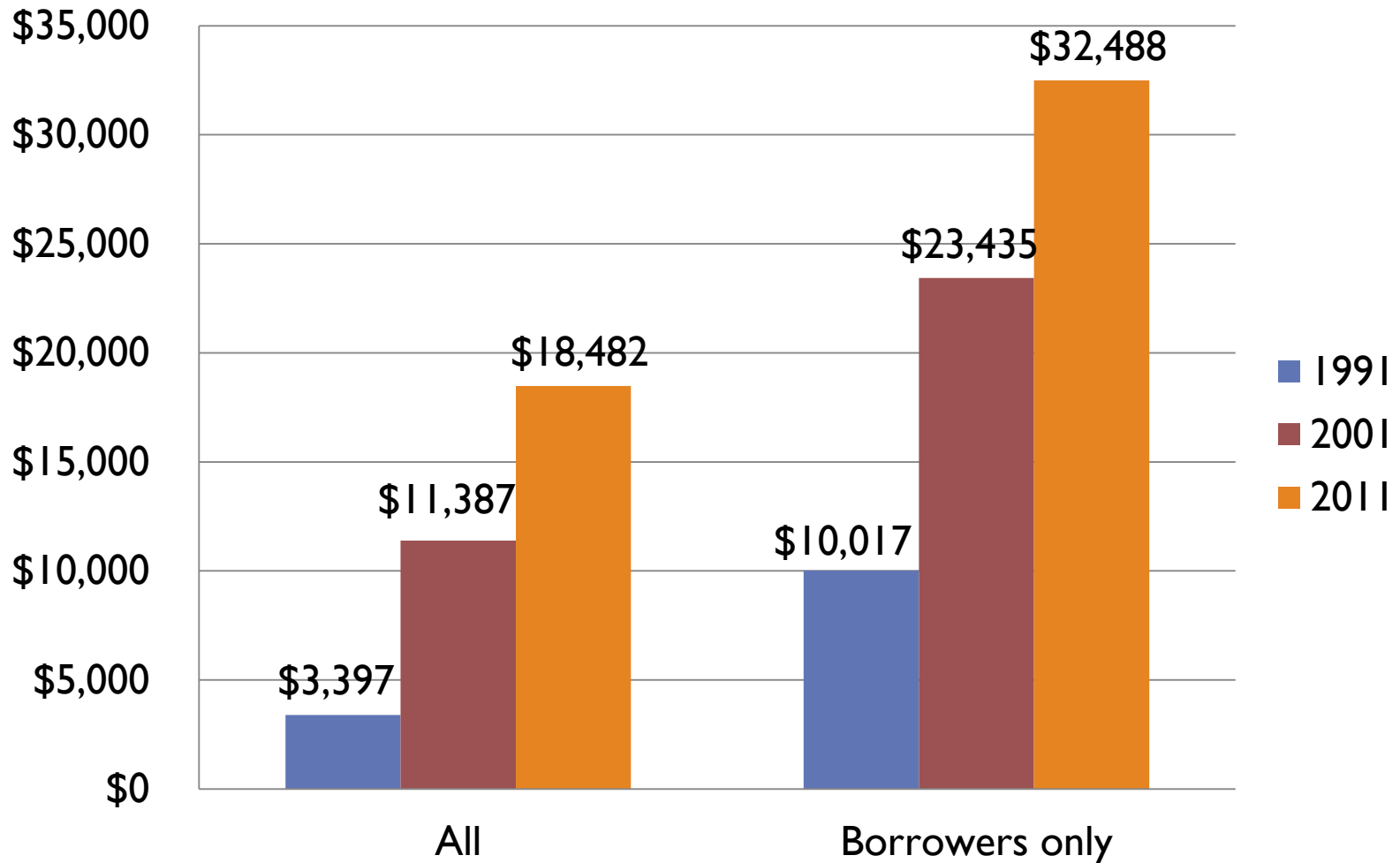
Average Reported Undergraduate Debt 1991-2011 Theological School Graduates



Average Reported Theological Debt of M.Div. Graduates

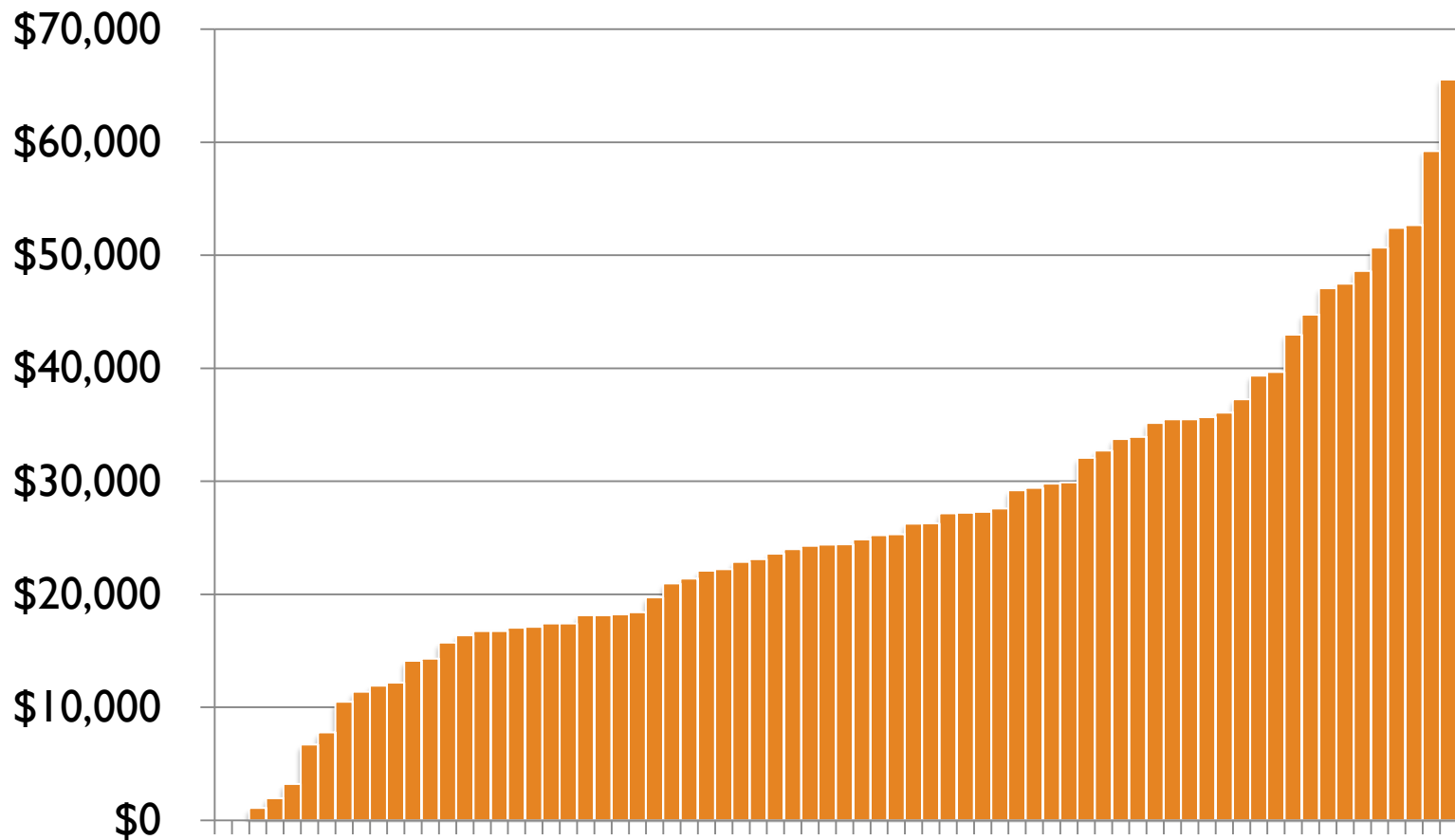


Average Reported Theological Debt of Other Masters Graduates

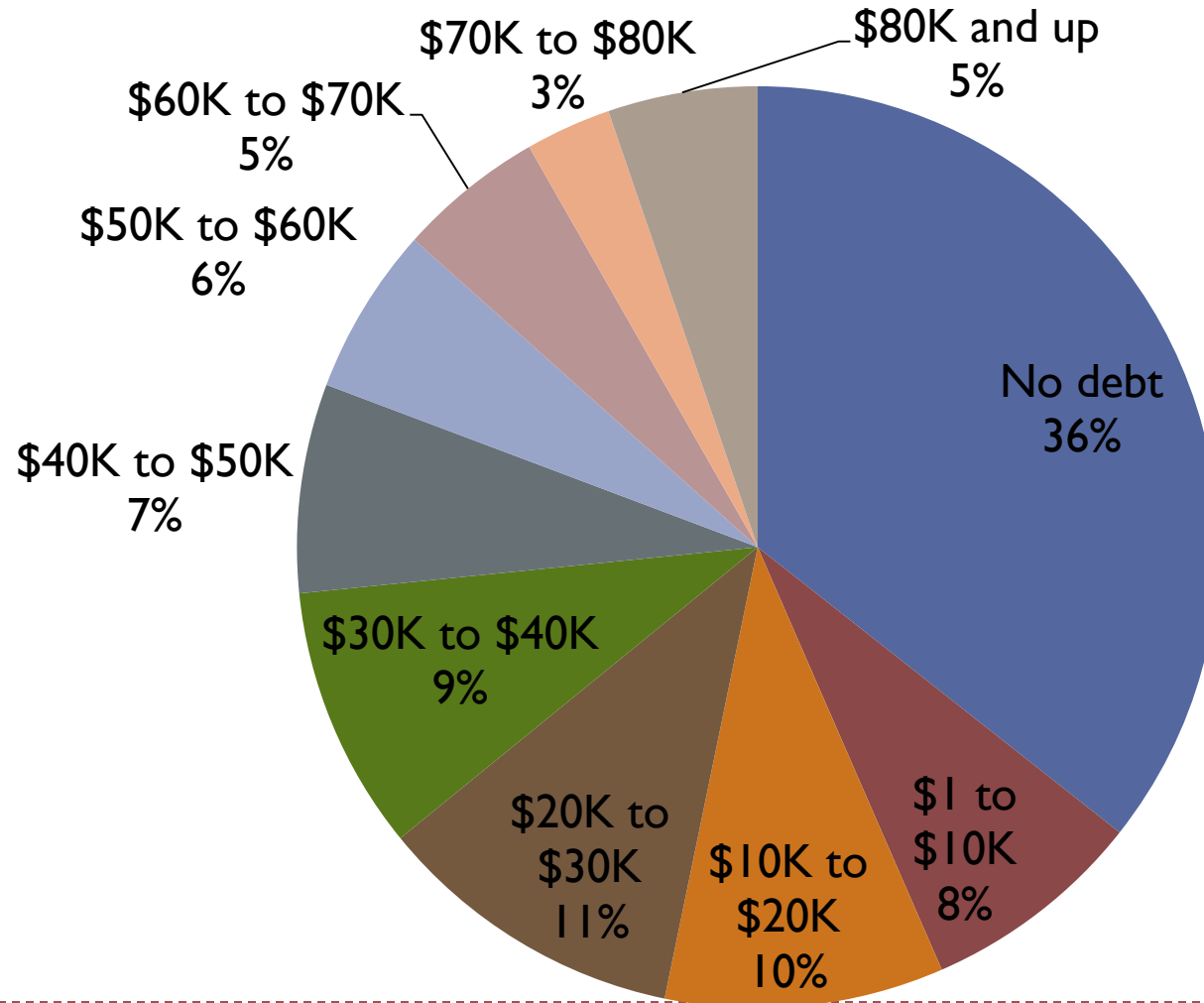


Average Theological Debt Per School

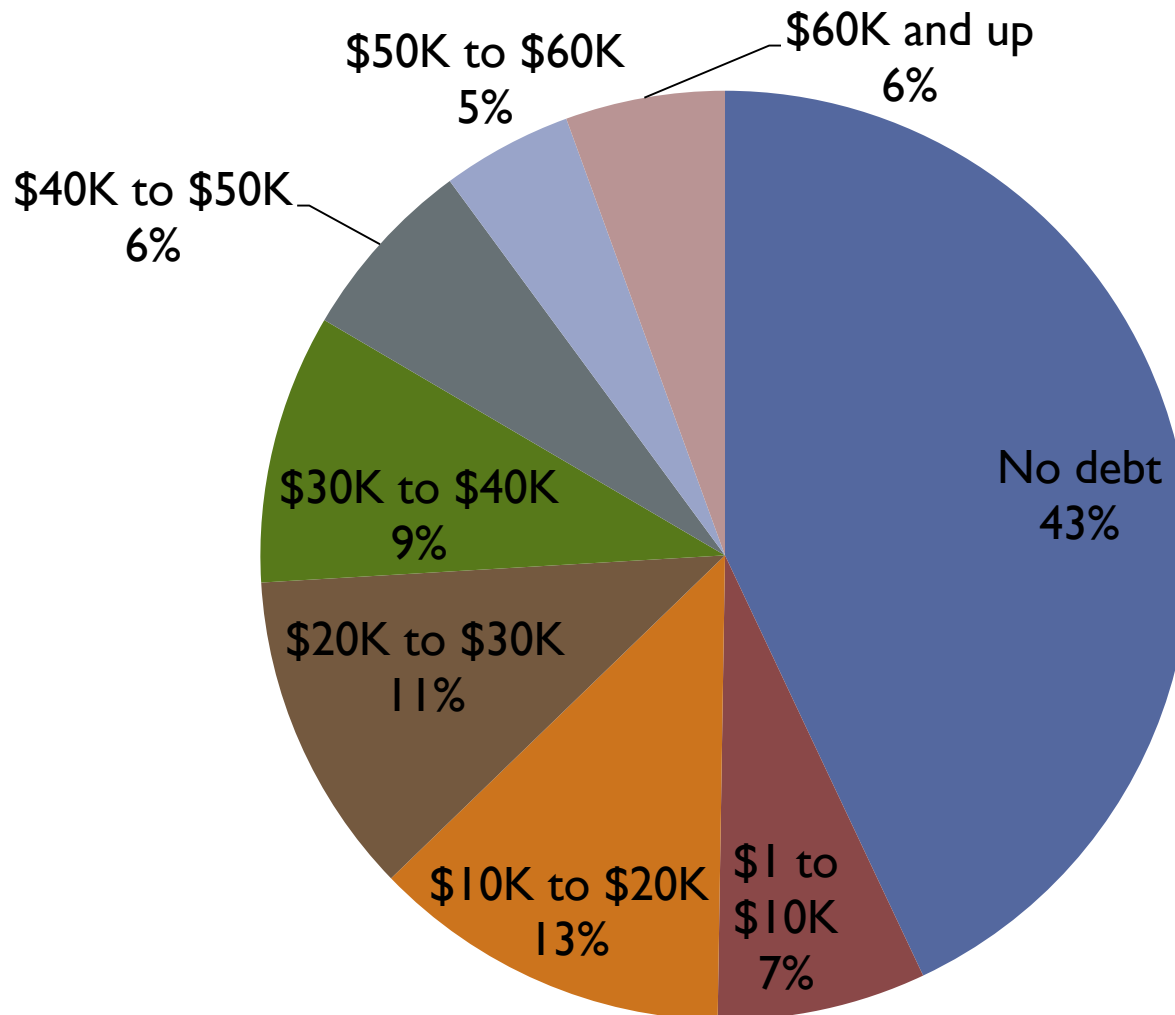
M.Div. Graduates – 2011



MDiv Theological Debt 2011

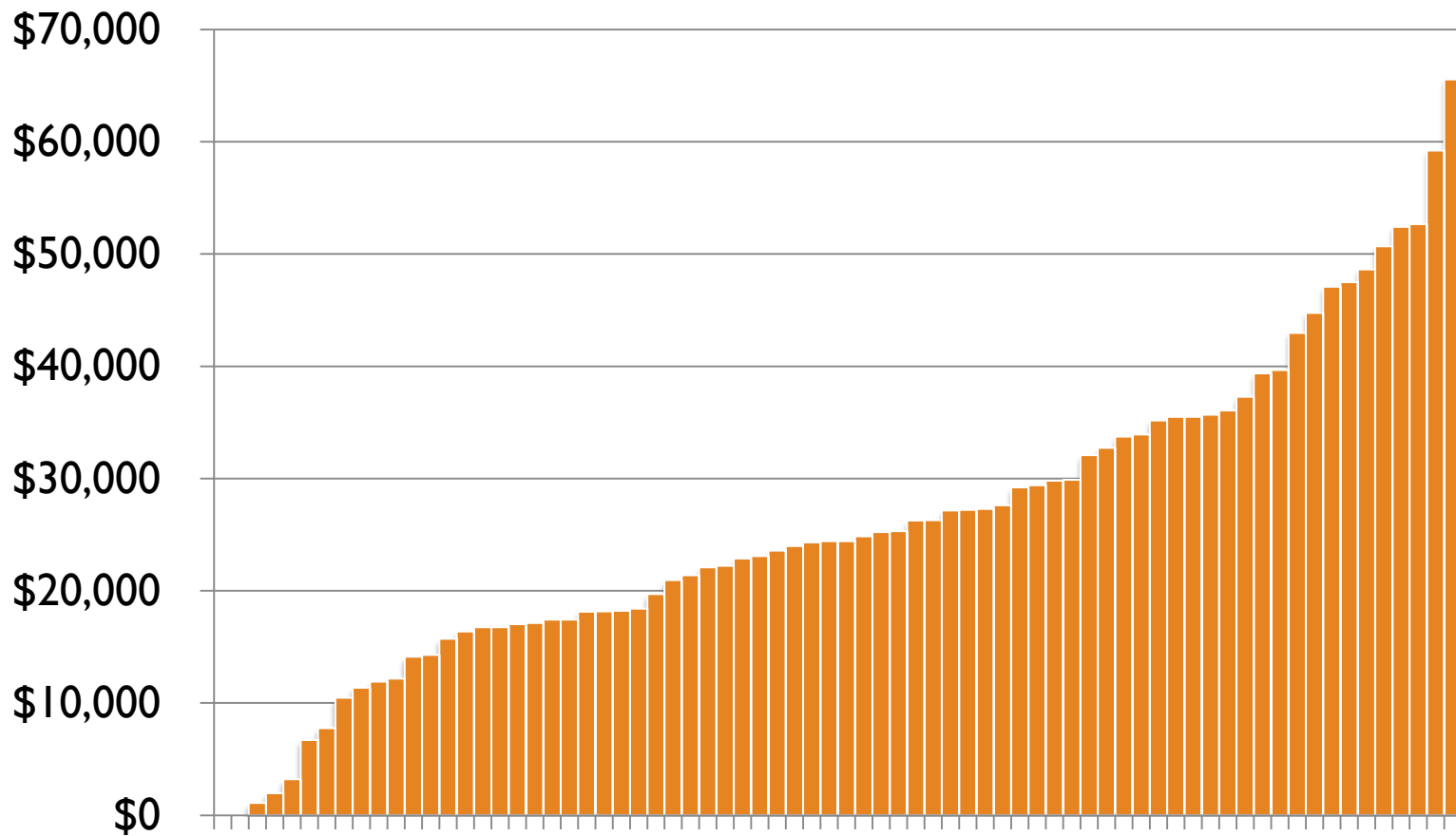


Distribution of Other Masters Theological Debt 2011



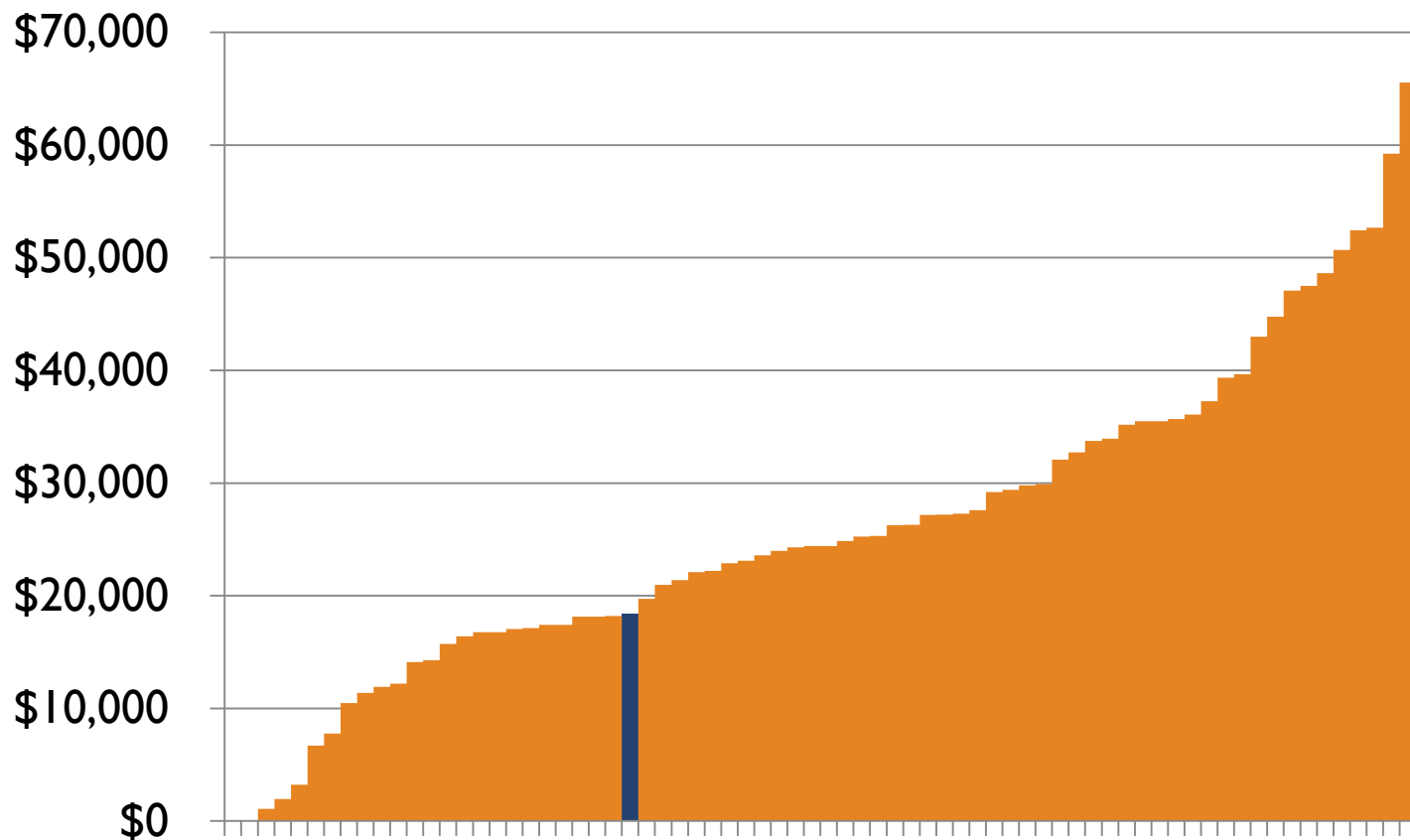
Average Theological Debt Per School

M.Div. Graduates – 2011



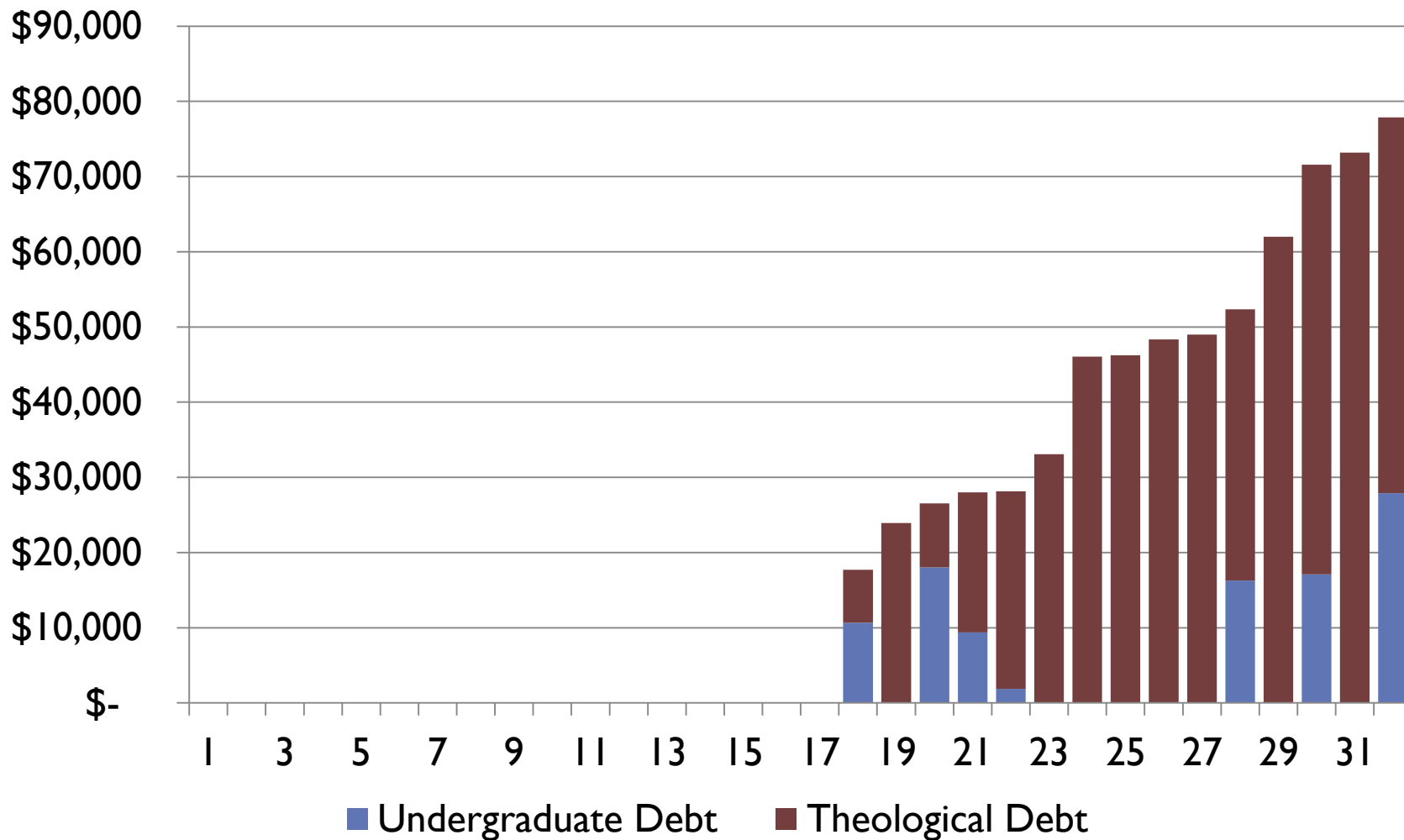
Average Theological Debt Per School

M.Div. Graduates – 2011



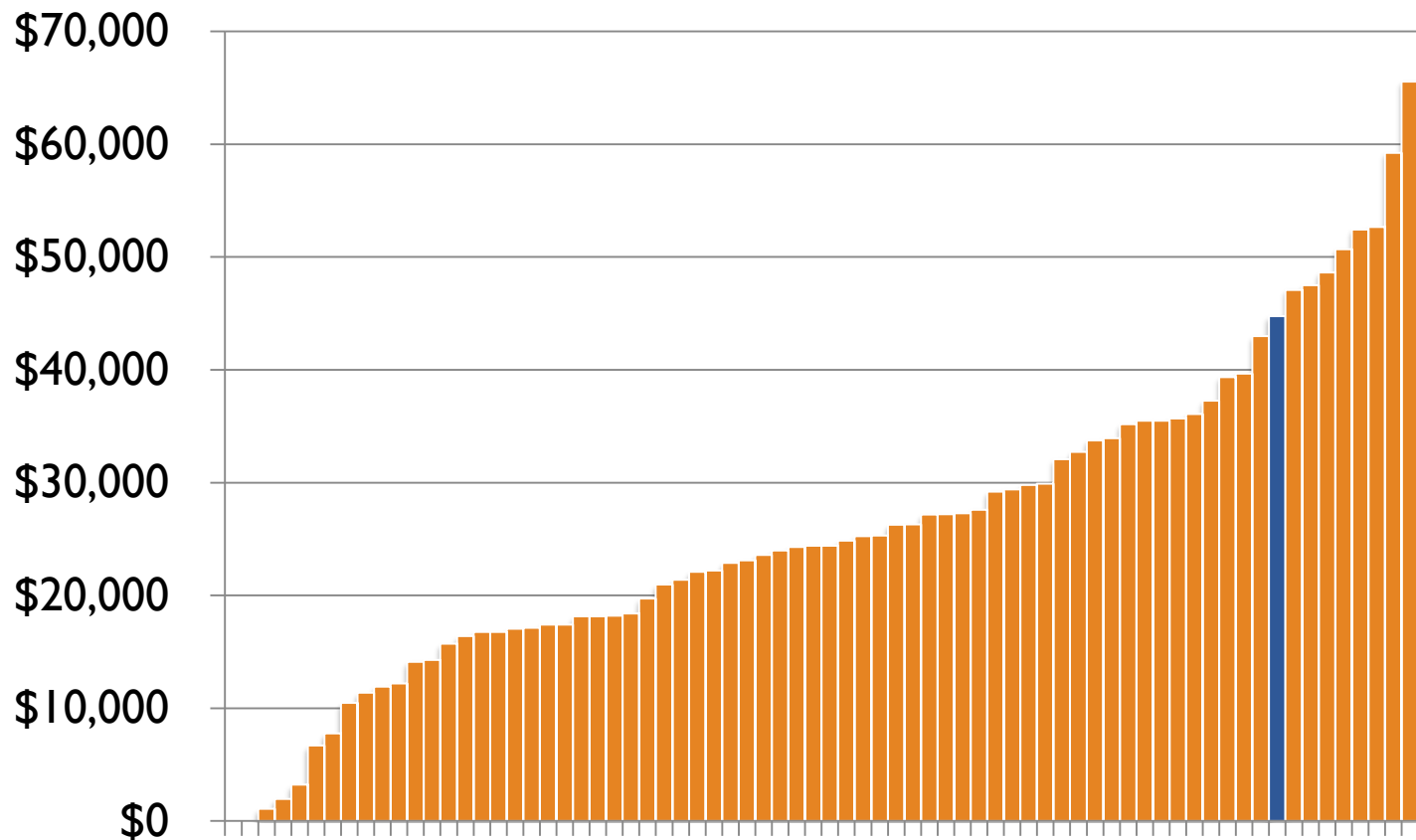
2011 Graduating Class

Average total debt: \$21,375; Borrowers only: \$45,600



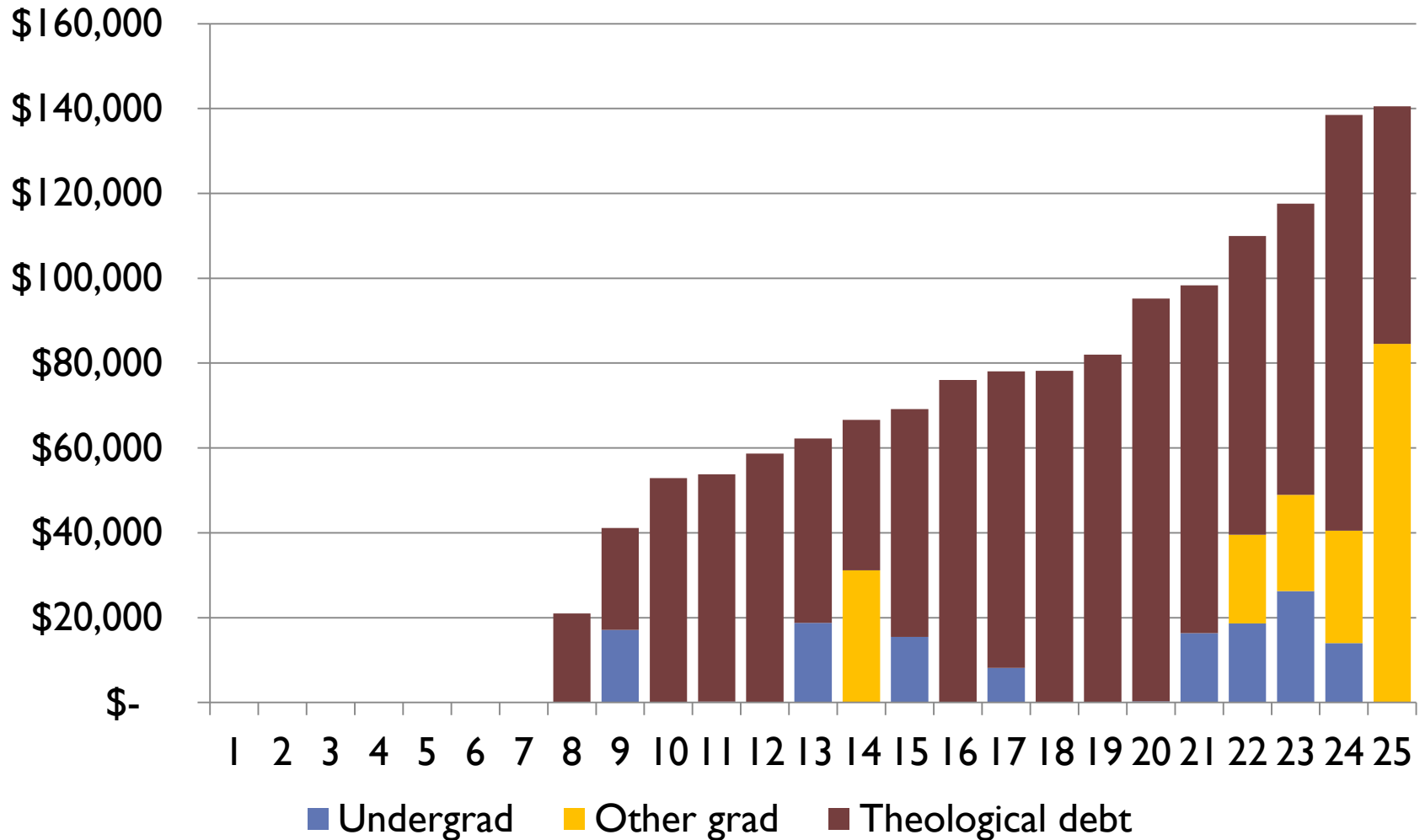
Average Theological Debt Per School

M.Div. Graduates – 2011



2011 Graduating Class

Average total debt: \$57,600; Borrowers only: \$63,130

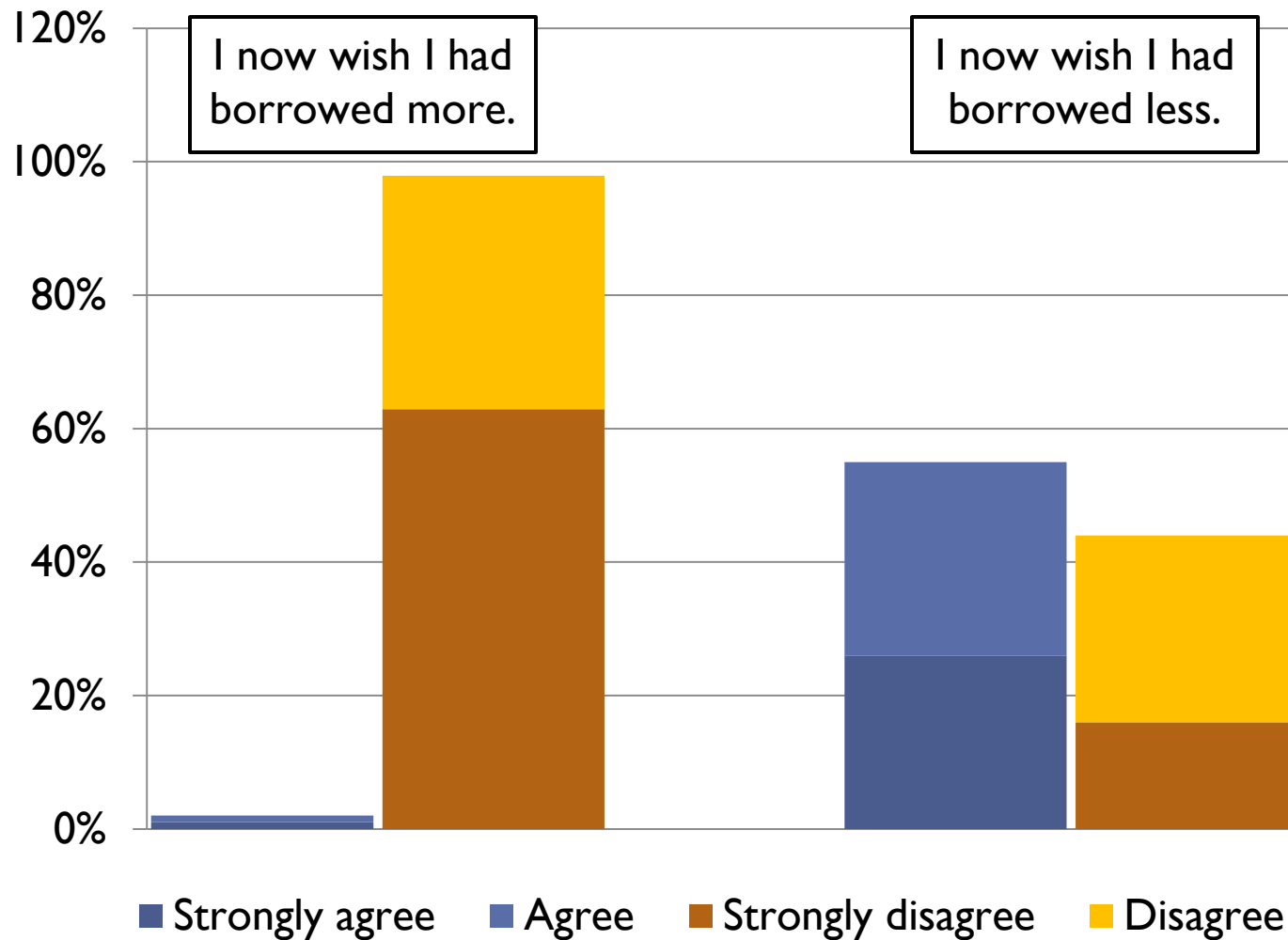


Suggested Annual Reports for Internal Administration and Case Management

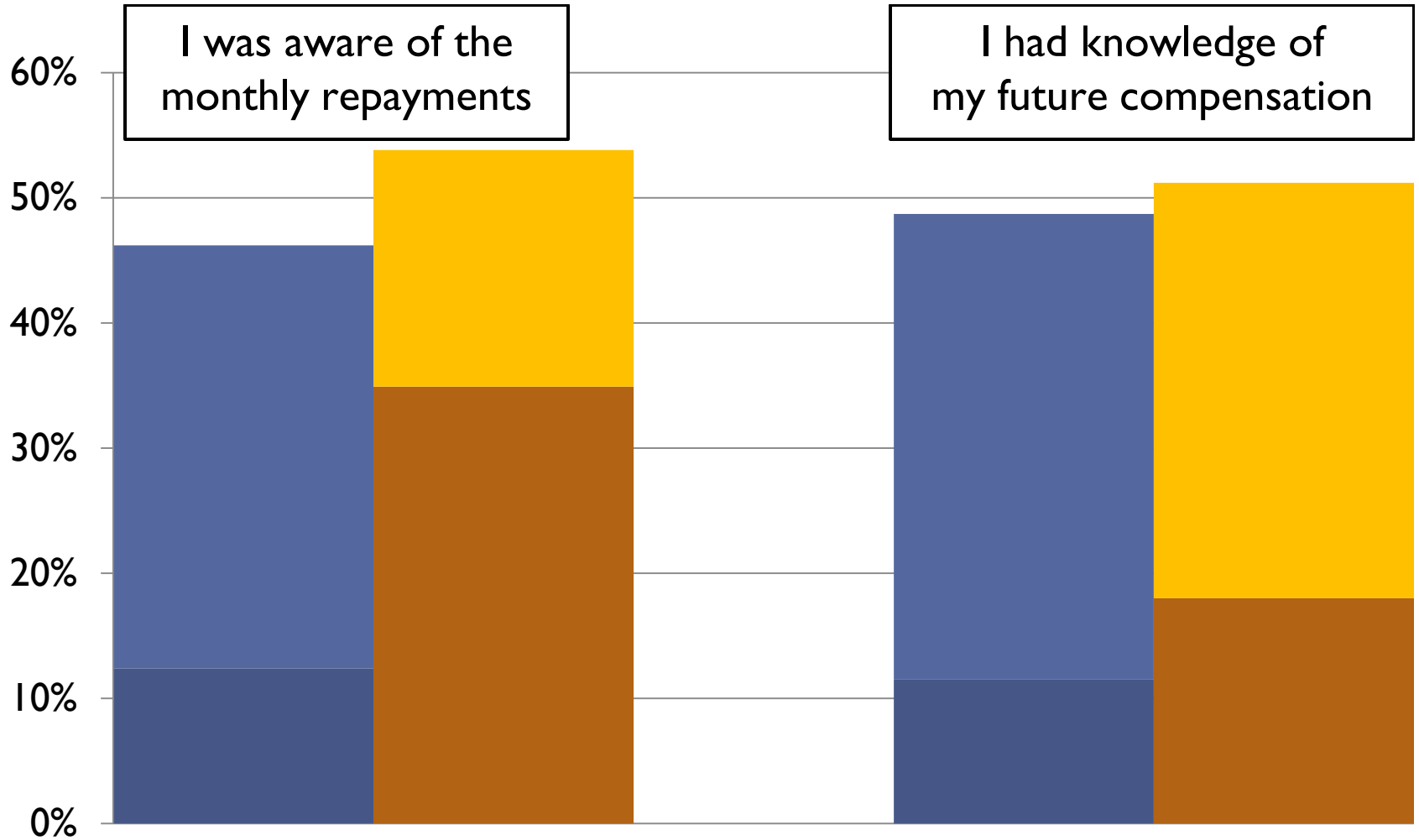
- ▶ For each degree program generate charts like the foregoing that show preexisting debt and debt taken since enrolling, with names, for:
 - ▶ Entering classes
 - ▶ After one year
 - ▶ After two or more years if still in school
 - ▶ Graduating classes



Any Regrets?



Lack of Knowledge

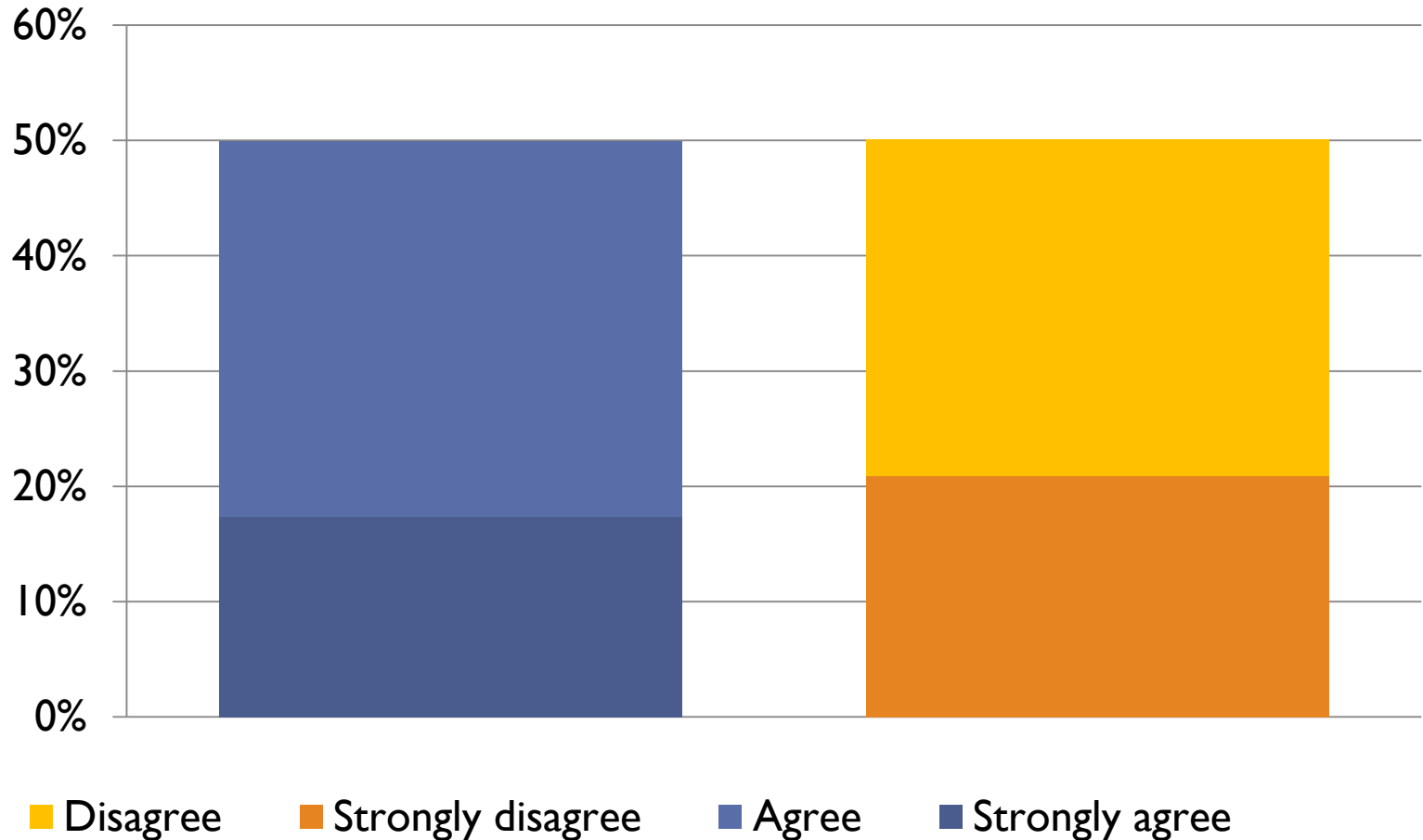


Strongly agree Agree Strongly disagree Disagree

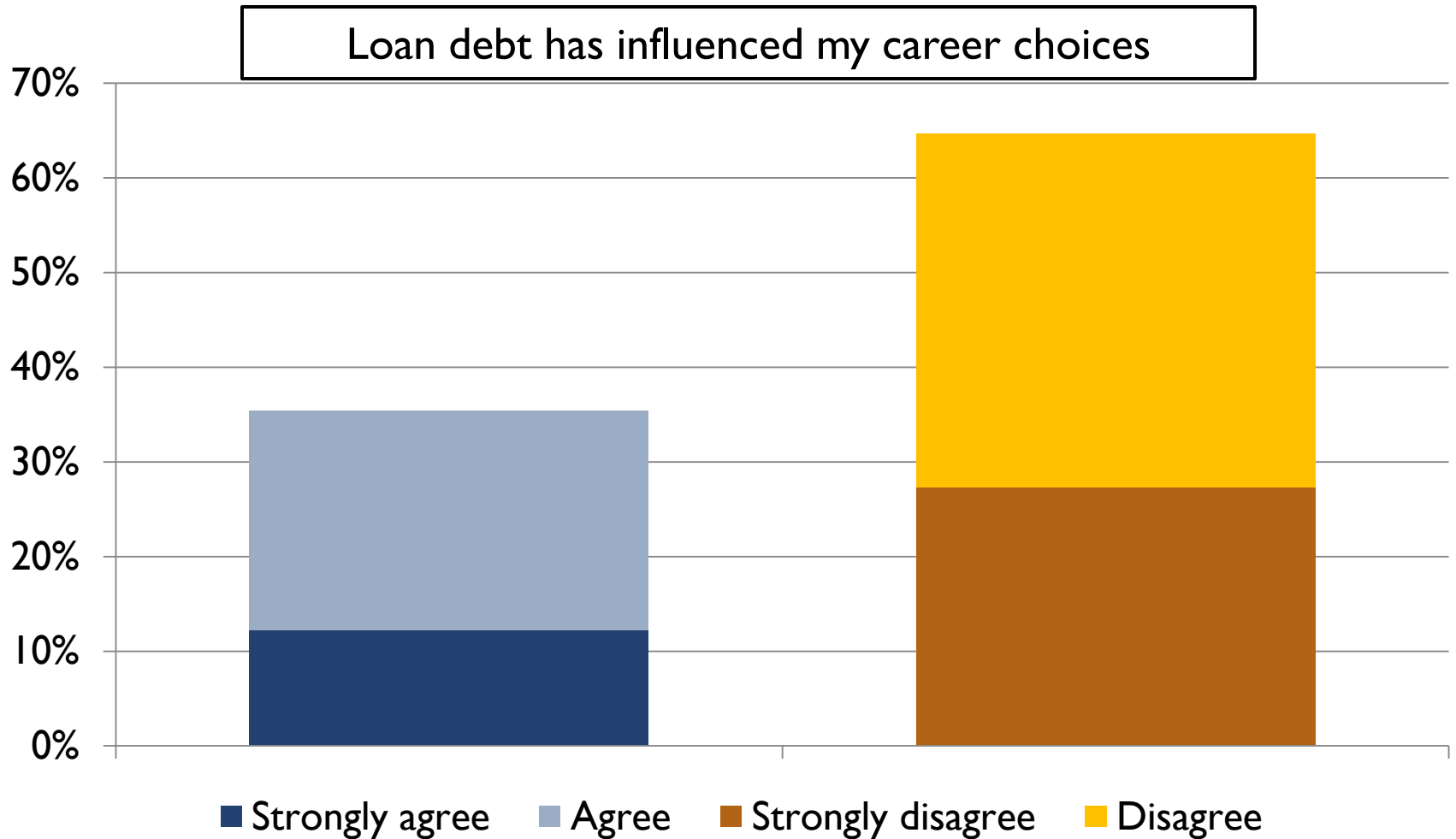


Effects of Debt

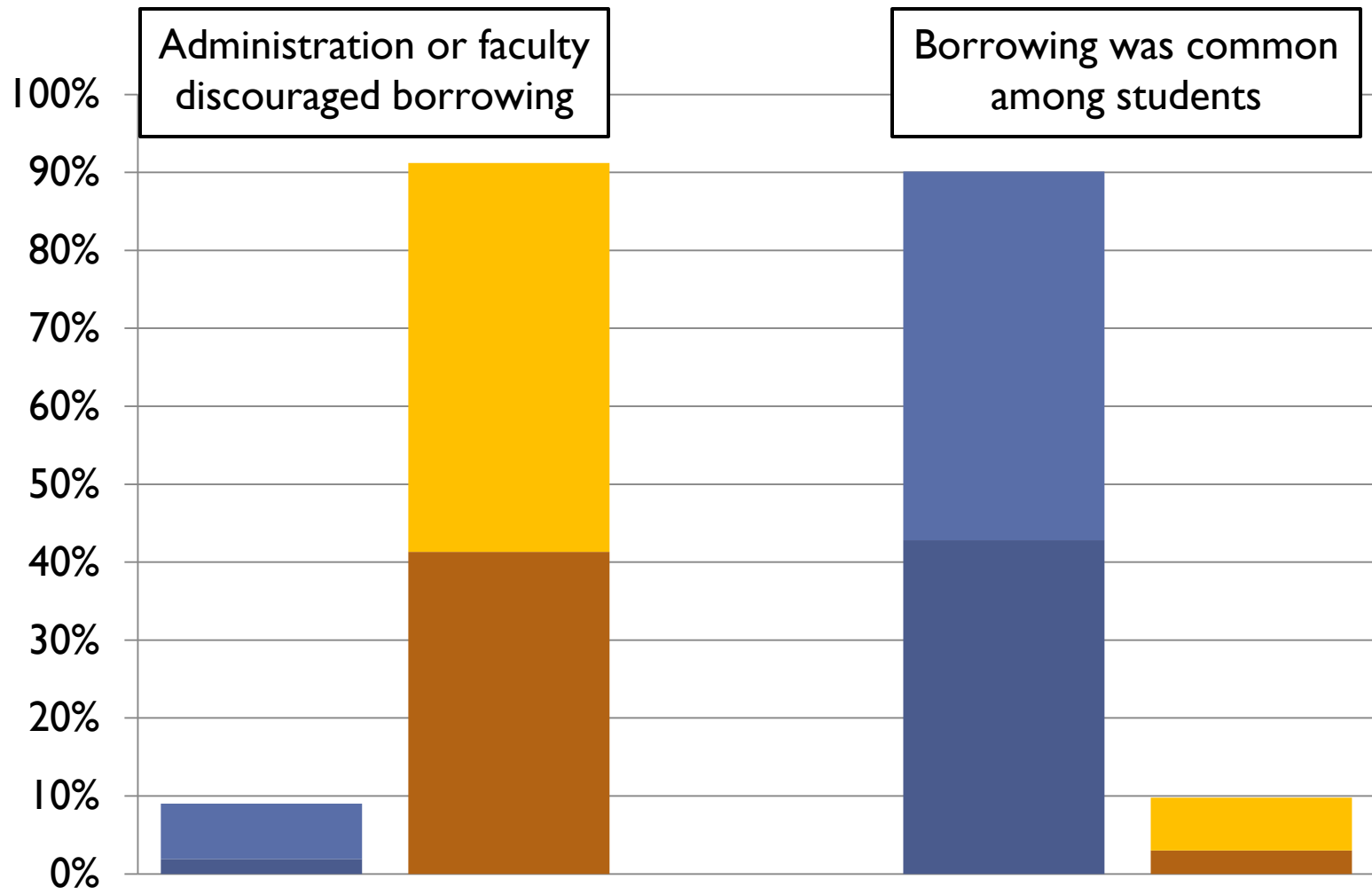
Loan debt has substantially influenced my standard of living.



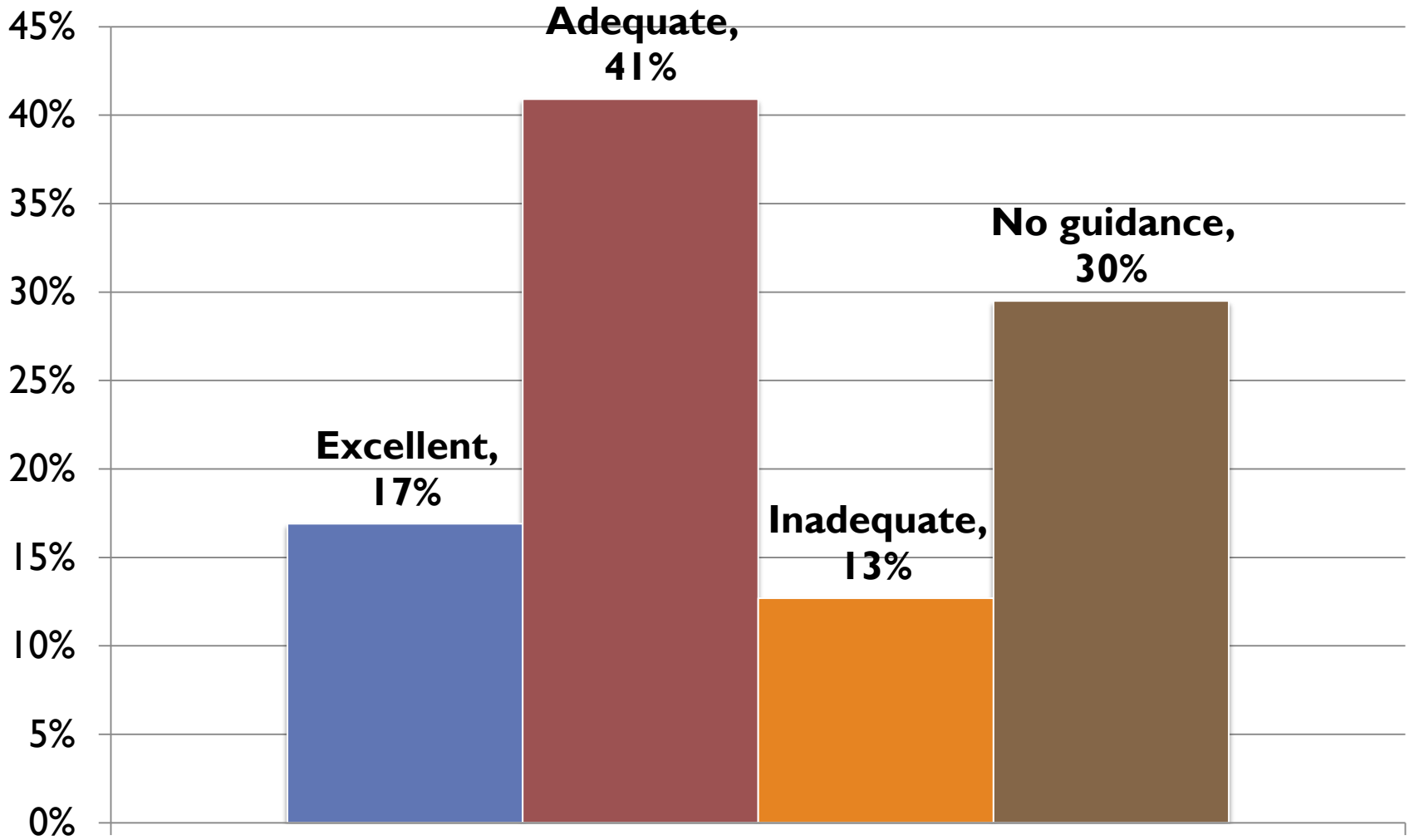
Effects of Debt



School Culture Regarding Debt



How would you evaluate the advice or guidance you received on financing your theological education?



Things that worked

- ▶ Advice to “live like a student”
- ▶ Requiring financial counseling or a course on financial management
- ▶ Going to school part-time and working more
- ▶ Ability to pay month-to-month tuition payments
- ▶ Financial planning through the first few years of ministry



Auburn's General Recommendation:

- I. Those who pursue theological education and ministry should be fully informed and fully aware of the financial costs of education for ministry and aware of the economic realities of professions in ministry.
- II. Complete financial aid information, personal financial planning resources, and vocational counseling are needed for persons inquiring about ministry, for those in seminary, and for those in the early years of ministry.



Student Types

- ▶ **Difficult to Dissuade:**
 - ▶ Convenience Borrower
 - ▶ Consumer/Lifestyle Maintenance
- ▶ **Possibly Open to Education, Advice or Intervention:**
 - ▶ “Default” Borrower
 - ▶ Not oriented to church occupations
 - ▶ Multiply challenged
- ▶ **The ideal:**
 - ▶ Rational Planner/Entrepreneurial Fundraiser



Financial Aid Officers Survey

- ▶ 43% have policies/practices to slow debt acquisition.
- ▶ 23% have policies/practices for high debt students.
- ▶ *67% make it as easy as possible for students to obtain loans.*



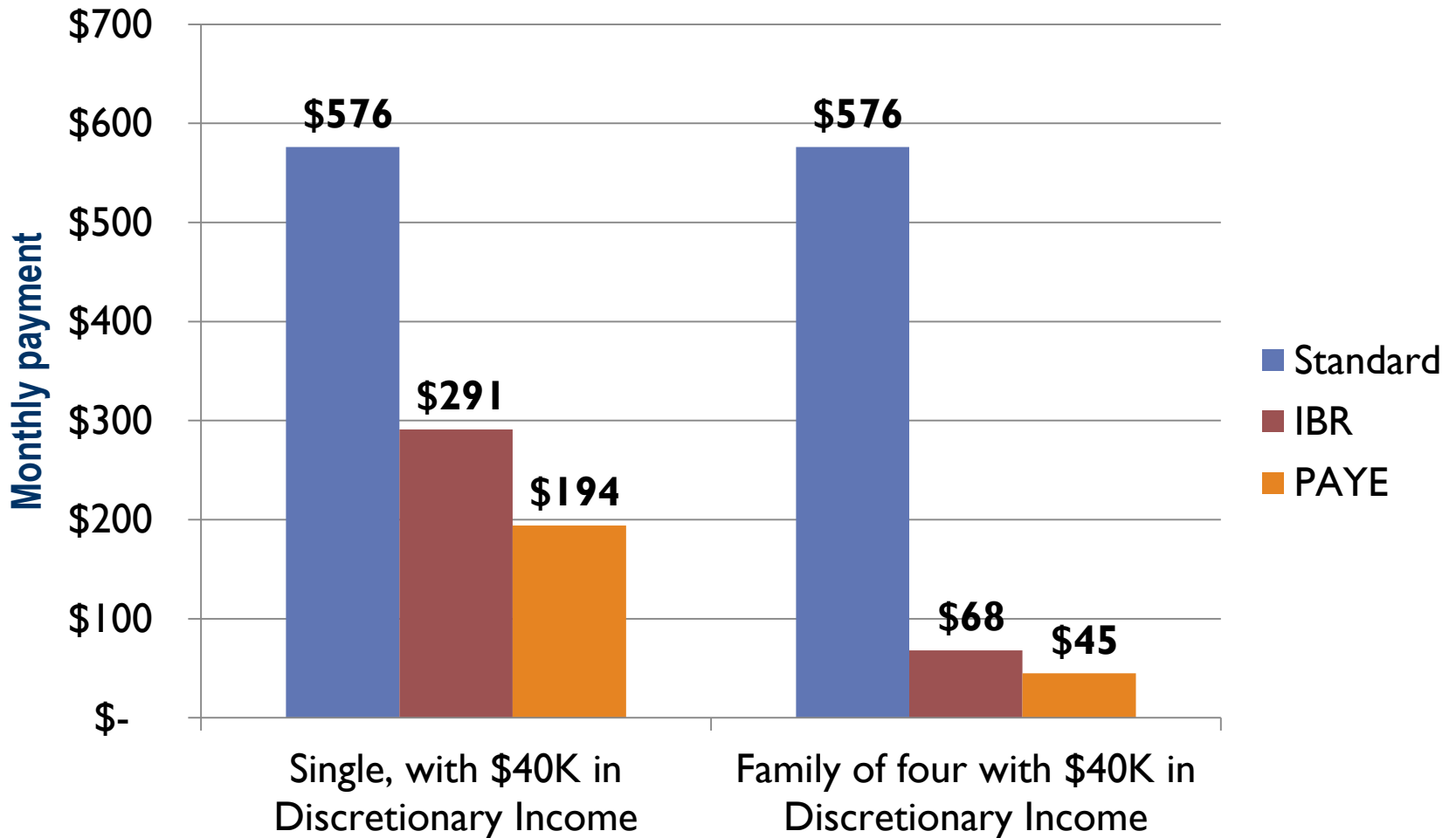
School Approaches

- ▶ Program Marketing
- ▶ Laissez-Faire
- ▶ Rational and Opportunistic
- ▶ “In Loco Parentis”



Example of Monthly Payments on Stafford Loan Debt of \$50,000

Standard Repayment (10 years @ 6.8%) vs. Income Based Repayment (IBR) and Pay As You Earn (PAYE)



Questions

- ▶ Do income-based repayment programs provide an incentive for theological students to borrow more?
- ▶ Do income-based repayment programs give schools an incentive to ignore/promote borrowing?

Debt issues

- ▶ Undergraduate debt is rising rapidly.
- ▶ Students increasingly rely on debt for expenses while in seminary.
- ▶ Ordinary repayment schedules are difficult to meet on graduates' compensation levels.
- ▶ Income-based repayment arrangements (e.g., Income Based Repayment, Pay As You Earn) may extend the debt to 20-25 years.



Reflections on research – student debt

- ▶ Debt provides an incentive to move to higher paying professions. Insofar as this affects Church-related occupations the mission of the school may be diminished.
- ▶ Part-time tracks may retain students with lower levels of debt.
- ▶ Discouraging borrowing may discourage full-time attendance – an ambiguous position for the school to be in.
- ▶ Screening, education, and counseling can reduce the acquisition of unmanageable or unwanted levels of debt.





www.AuburnSeminary.org/CSTE

