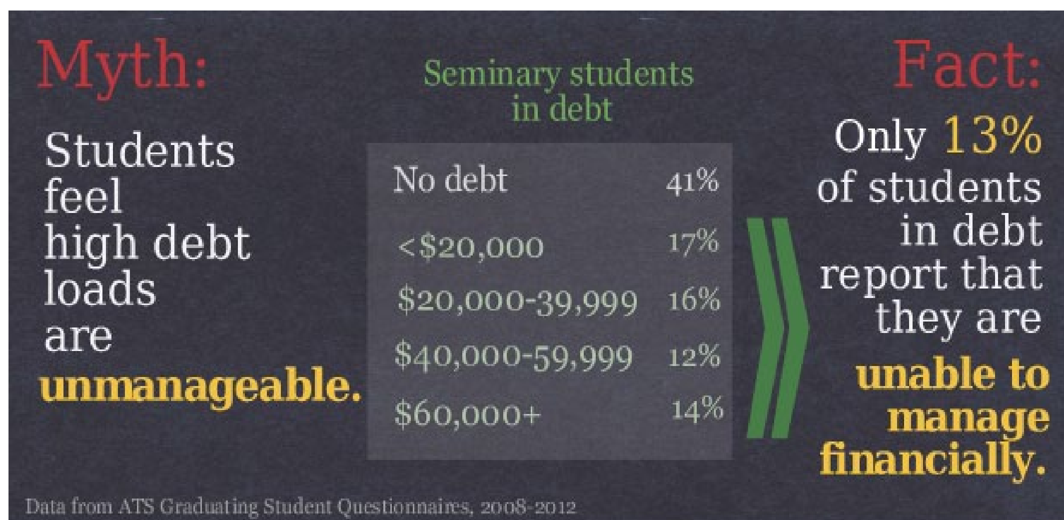


The two biggest myths about educational debt

By Jo Ann Deasy and Chris Meinzer

For the last several decades, theological schools, denominations, and congregations have become increasingly concerned about educational debt among seminary graduates and its potential negative impact on their abilities to serve in ministry. Some theological schools have sought to rectify the situation in a variety of ways including lowering tuition, increasing scholarship aid, shortening degree programs, and developing distance learning programs, but often to no avail. Debt loads continue to increase, and graduates are finding it harder and harder to survive financially in the ministry. So what are we missing?

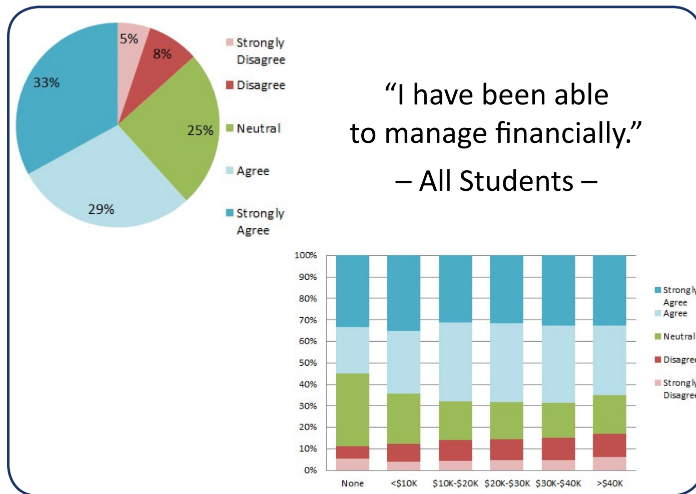
A central aim of the Economic Challenges Facing Future Ministers (ECFFM) Initiative is to help us better understand and respond more effectively to the rising educational debt among seminary students. The initiative, which is funded by Lilly Endowment Inc. and coordinated by The Association of Theological Schools (ATS), has now been underway for almost three years. Within this initiative, ATS is supporting 67 member schools that are conducting research into financial issues facing students, developing new strategies for decreasing financial burdens on students, creating and strengthening educational programs in financial literacy for pastoral leaders, and using partnerships to address these issues. ATS seeks to enhance the effectiveness of the initiative by providing expertise, facilitating peer learning, and capturing and disseminating what is learned.

To support the work of participating schools, ATS has been conducting in-depth research on the 2008–2012 ATS Graduating Student Questionnaire (GSQ) related to educational debt. Recent research has centered on student perceptions of and institutional influences on educational debt incurred in seminary. In this article, ATS seeks to dispel two myths around educational debt that are not supported by the data.

Myth #1—Students feel high debt loads are unmanageable.

The GSQ measures student concern about financial matters in a question that asks them to rate their overall experiences in their graduate programs in relation to the statement, "I have been able to manage financially." While 26 percent of students reported incurring

educational debt greater than $30,000, only 13 percent either disagreed or strongly disagreed with the statement, "I have been able to manage financially."



One might expect that as levels of educational debt increase, students would show significantly more concern about their finances. However, when looking at the responses by the amount of educational debt incurred in seminary, there is only a slight increase. Only 17 percent of students reporting more than $40,000 of educational debt incurred in seminary noted disagreement or strong disagreement with the statement, "I have been able to manage financially."

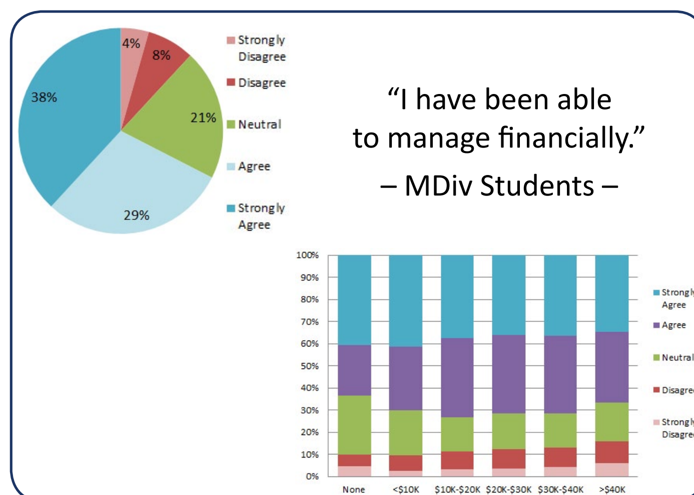
By comparison, 11 percent of students reporting no educational debt noted disagreement or strong disagreement. Furthermore, 8 out of 10 students reflect little to no concern about managing financially, irrespective of their debt loads.

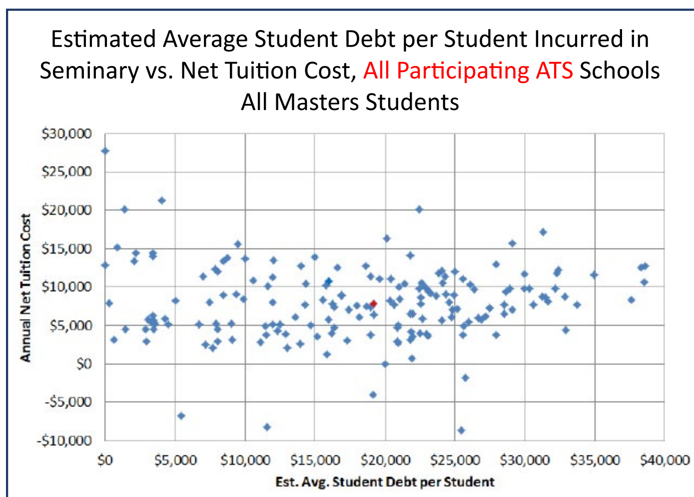
Given the concern for future ministers within the project, the data was then analyzed for MDiv and other masters students. The charts below reflect only MDiv students, but charts for other masters students were similar. Only 16 percent of MDiv students who reported more than $40,000 of educational debt incurred in seminary noted disagreement or strong disagreement with the statement "I have been able to manage financially." By comparison, 10 percent of students who reported no educational debt reported disagreement or strong disagreement with the statement. Despite that fact that projected incomes for ministers are quite low, MDiv students do not seem to show greater financial concern than other seminary students.

While we often assume that high educational debt is a sign that a student has not been able to manage financially, many students feel just the opposite. Educational debt is what has allowed them to manage financially while in seminary. And while we might expect students who graduate without debt to feel that they have managed financially, many feel quite the opposite. Living without educational loans has put a strain on their families and their finances. For institutions attempting to raise awareness of the potential negative future impact of educational debt, one of the first audiences likely needs to be the students themselves—who need to be either challenged to incur less debt or encouraged for their efforts to graduate debt free.

Myth #2—Higher tuition discounting through scholarship aid has the greatest impact on reducing educational debt.

Many ATS schools work hard to keep the costs of theological education to a minimum for their students. Schools often seek to raise financial aid for students to reduce the tuition burden, and this is certainly an important step in keeping costs and resulting educational debt lower. However, higher tuition discounting through scholarship aid does not necessarily reduce overall educational debt loads.





The chart above shows a crosstab of annual net tuition costs for students versus estimated annual average educational debt for all masters students (MDiv and non-MDiv). Annual net tuition cost is an estimate of the average net tuition paid by masters students after scholarship aid is applied.[1] Estimated average educational debt incurred in seminary is an estimate of the average educational debt loads across master students within the institution.[2] Each blue diamond represents an ATS member school that participated in the GSQ from 2008 to 2012. The red diamond represents the median annual net tuition cost during this period of about $8,000 and an estimated average educational debt incurred of about $19,000.

If net tuition were the major driving force in educational debt incurred in seminary, the chart would most likely reflect higher average debt per student as annual net tuition costs increased. The chart shows essentially no correlation between the two data points. Some institutions with low annual net tuition costs have high educational debt averages; some institutions with high annual net tuition costs have low educational debt averages. This is not to say that reducing tuition costs is unwise or unwarranted in reducing student indebtedness; however, addressing tuition costs alone will not likely reduce debt burdens. The data likely reflects the feedback we are receiving from schools that living expenses and life decisions have a higher impact on educational debt levels than do net tuition costs.

Conclusion

This article identifies two simple myths for institutions to consider in their work related to economic challenges facing future ministers.

First, the myth that students understand the potential future impact of educational loans. As we can see from the data, many students either do not know or are not willing to face the impact debt might have on their future ministries. Many schools within the ECFFM Initiative have moved toward mandatory financial literacy programs as a way to educate students about the significance of this issue.

Second, the myth that lowering tuition along will decrease educational debt. The data clearly show no direct correlation between net tuition and debt levels among students. Students often incur educational debt to meet living expenses and tuition. The lack of clear correlation highlights the complexity of the economic challenges facing our students and the need for more comprehensive approaches that seek to lower the costs not just of tuition, but of living expenses as well.

"The key is to identify the main driving forces behind the increasing educational debt and to establish steps to combat and specifically address these forces within your institution."

Perhaps most importantly, these data reveal the need for us to look closely at the assumptions we make about educational debt at our own particular institutions. We will never be able to tackle the issue of educational debt if we create solutions that are based on myths rather than on the concrete realities of our own contexts. The key is to identify the main driving forces behind the increasing educational debt and to establish steps to combat and specifically address these forces within your institution.

1 Annual net tuition cost per student is calculated using data provided by the institution during the ATS Annual Report Form (ARF) process. It is calculated by multiplying the masters tuition rate by the calculated masters discount rate, both calculated using data reported through the ARF. The result is an average per student recognizing that some students may receive deeper discounts than others.

2 The responses to the GSQ question regarding educational debt require the participant to select a range of educational debt incurred in seminary (none, less than $10,000, $10,000 to $19,999, $20,000 to $29,999, $30,000 to $39,999, and more than $40,000). The chart reflects an estimate of the average indebtedness of graduating students calculated using the midpoint of these ranges and the responses of the students.

Further information about educational debt:

From the Auburn Center for the Study of Theological Education:

- "Taming the Tempest: A Team Approach to Reducing and Managing Student Debt," October 2014
- "A Call to Action: Lifting the Burden (How Theological Schools Can Help Schools Manage Educational Debt)," April 2014

Presentations from the ECFFM Initiative:

- Daniel O. Aleshire, "Financing the Call to Serve: Reflections on Ministry, Money, and Theological Education," April 2014
- Chris Meinzer, "Theological Education: State of the Enterprise and the Impact on ECFFM," April 2014

Resources for increasing student awareness:

- Jo Ann Deasy, "Breaking the Code of Silence: Financial Planning Tools Seek to Promote Increased Financial Literacy Among Students," *Colloquy Online*, September 2014
- Candler School of Theology of Emory University, Faith & Finance Videos: "Counting the Cost of Theological Education"
- Lancaster Theological Seminary, "Create a Spending Plan That Works for You" Workbook
- Luther Seminary, Financial Coaching Manual
- Anderson University School of Theology, "Faith and Finances for Education and Ministry" Workbook

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What ECFFM schools are learning:

1. Financial literacy programs are working. These programs are particularly successful when they are required and when they involve meeting with a mentor or financial advisor to develop budgets and spending plans that reflect conscious consumption connecting financial literacy with financial discipline.

2. Setting up borrowing roadblocks helps. Schools can help students arrive at appropriate borrowing levels by offering "point-of-borrowing" counseling: offering financial aid packages that do not reflect the maximum amount a student can borrow, sending financial aid letters that include estimated monthly payments and monthly future income, suggesting that students borrow only what they need at the moment, or giving students the opportunity to return funds or request additional funds at a later time. Roadblocks help students be more thoughtful about their borrowing habits.

3. One-size-fits-all stewardship training does not work. Based on its denominational or theological commitments, each institution should communicate its own theology of stewardship and resources, helping students understand who holds them accountable for choices they are making.

4. Financial mentors can transform into donors and advocates. With firsthand knowledge of the financial challenges students face, those who mentor or advise students in their financial evaluation and planning can become great advocates of the school. They better understand the need, particularly for scholarship funding, and the strong commitments and aspirational goals students bring to seminary.

5. Admissions and financial aid offices should collaborate more with career services to be transparent about job and salary prospects after graduation. Conversations should begin with applicants and continue with enrolled students to remind them of their earning potential and career placement opportunities. Students should be urged to investigate their calls in field education, internships, and other part-time employment while in seminary. While this might discourage some potential students, it also increases retention and eventually produces more supportive alumni/ae.

6. Schools must communicate a unified message regarding educational debt. It is not enough for financial aid officers and student services personnel to talk about lowering educational debt. Seminary students look to the faculty for guidance and need them to speak into issues surrounding educational debt, financial literacy, and the financial leadership that is an increasing percentage of a pastor's job.

For more information see: Jo Ann Deasy's "Sixty-seven theological schools share strategies for reducing student debt," *Colloquy Online*, April 2015