Study: Student debt hurts new pastors: Average debt of $25,000

by John Dart in the August 10, 2004 issue

Seminarians preparing to serve as pastors are increasingly taking out low-interest government loans to pay educational costs, but researchers say that trend is dangerously compounding the struggles of fledgling ministers and small churches.

A new nationwide study of the debts of seminary graduates shows that more than one-third of M.Div. graduates who borrowed in the decade before 2001 carried an average debt of $25,000—up from the nearly $14,500 average debt incurred ten years earlier.

Reporting on their findings at the recent biennial meeting of the Association of Theological Schools, Sharon Miller and Anthony Ruger of the Auburn Center for the Study of Theological Education said many new clergy are experiencing “personal and marital stress, delays in buying homes and health care,” or have left the ministry.

“I had to go back to my old profession,” said one graduate. “Thank you for caring about this silent clergy-killer,” said another graduate. “Most parish salaries cannot even scrape the top off and provide relief.” Financial aid officers from 94 theological schools provided loan figures for the survey, and the amounts were adjusted for inflation in order to compare the level of student indebtedness in 1991 and 2001. The full analysis will be posted on the Auburn Center Web site in the early fall.

A decade earlier 47 percent of students headed for pastoral work had obtained low-interest federal loans to be paid off in ten years, but only 7 percent of those borrowers had pushed their debt over $20,000 by the time they got their M.Div. degrees. The more recent study found that 63 precent of M.Div. graduates had gotten such loans and 34 percent of them had indebtedness exceeding $20,000.

The percentage of those in other master’s degree programs who borrowed more than $20,000 “mushroomed” within the decade from 6 percent to 25 percent, said

Miller, who is associate director of the Auburn Center.

Mainline Protestant alumni with master's degrees were more likely than their evangelical and Catholic counterparts to have government-loan debts. In 2001, 84 percent from independent mainline seminaries—such as Union Seminary in New York, University of Chicago, and Ivy League divinity schools—had taken out loans. That compared to 60 percent from mainline denominational seminaries and 55 percent from evangelical schools linked to denominations. (Southern Baptist seminary alumni were not included in the survey because they do not participate in federal loan programs.)

Less than half of the master's degree graduates from independent evangelical and Catholic seminaries owed balances in those loan programs. Miller explained that "Catholic students are less likely to borrow because many of them are supported by their diocese or religious order." And the debt is lower at many evangelical schools that offer part-time tracks for working students.

But other debts enter the picture, too. "Besides borrowing for their seminary education," Miller said, "an increasing number of students bring significant levels of debt from their undergraduate schooling"—an average of $13,584 for borrowers. There was little difference between men and women borrowers, "but single students with children borrow the heaviest," she said. These figures do not include a student's credit card debt, which usually is highest among those who apply for the easy-to-get government loan.

The study by Ruger and Miller discovered that nearly a quarter of recent seminary graduates did not borrow. Another quarter sought federal loans because of their "convenience": the low-interest, ten-year loan payments start only after one has finished schooling.

If a relatively recent M.Div. graduate has accumulated student loan and credit card debt up to $38,000 (the average for seminary and undergraduate debt), one should have an income of $60,000 a year, according to bank lenders. While that may not be a problem for graduates in some professions, the researchers said new ministers earn far less (even with a housing allowance counted in). That deficiency may be offset if a spouse works or the pastor is permitted to moonlight, but such pressures add to tensions within the congregation and the pastor's family, they said.

The 2002-03 survey of 1,360 alumni who had graduated in the mid-to- late 1990s found that 24 percent had missed at least one payment on their government loans. Those who declare bankruptcy as a last resort will learn, if they didn't know already, that by law government student loans cannot be forgiven.

"You hear [from seminary officials] you can't turn applicants down," Ruger said. "You can, but it is difficult if students complain that the school is intruding on their rights [to borrow]." In fact, "most schools say they make student loans as easy as possible to obtain," said Miller. Schools can, however, offer financial counseling for all loan applicants.

The study's strongest recommendation was that those who pursue theological education and ministry be fully informed of the costs of clergy education and be fully aware of the economic realities of professions in the ministry. "Everyone should begin those conversations very early and often," said Ruger.