Stewards of Abundance

Research Summary

April 2014

Evangelical Lutheran Church in America
God's work. Our hands.

Research on trends in the educational debt of seminary students across the United States has been conducted since the early 1990's, primarily by the Auburn Center for the Study of Theological Education. From 1991 to 2001, the Auburn Center found that average educational debt among seminarians rose sharply. In 1991, less than half of graduates from Master of Divinity (M.Div.) programs carried theological debt and the average debt among those who borrowed was $11,043. In 2001, educational debt had become more common, with 63 percent of M.Div. graduates carrying educational debt. The average debt per borrower had risen to $25,018. This finding led to concerns among many denominations about the effects of educational debt on personal stress and ministry effectiveness among seminary graduates.

By 2008, leaders within the Evangelical Lutheran Church in America (ELCA) who had been discussing theological education and educational debt among seminarians determined more research which focused specifically on ELCA seminarians was needed to fully understand the extent and implications of educational debt. With the assistance of a generous grant from the Lilly Endowment, the Stewards of Abundance project was begun in 2009. For the next four years, Stewards of Abundance convened leaders from across the ELCA and funded a number of research projects with the goal of identifying ways to reduce educational debt among seminarians.

Extent of Educational Debt

Analysis of the educational debt of ELCA M.Div. graduates from 2006 through 2013[1] reveals approximately 80 percent carried educational debt at the time of graduation. Table 1 shows that between 2006 and 2013, 2012 was the year with the lowest proportion of graduates carrying educational debt (77%) and 2013 was the year with the highest proportion (84%).

Table 1. Percent of ELCA M.Div. Graduates with Educational Debt

	Number of ELCA M.Div. Graduates	Percent with Educational Debt
2006	259	80%
2009	262	80%
2011	272	83%
2012	248	77%
2013	179	84%

Note 1. Analysis was conducted using data from ELCA seminarian M.Div. graduates in 2006, 2009, 2011, 2012, and 2013.

Figures 1 and 2 show the increases in both the overall average amount of educational debt per graduate (an average including both those with and those without educational debt) and the average amount of educational debt for borrowers only (an average including only those with educational debt). Actual dollar amounts increased until 2011, decreased for one year, and continued to increase in 2013. It is not clear why there was a decrease in 2012, but the lower proportion of graduates with educational debt that year likely was a factor. Additionally, the focus on the educational debt of seminarians through the Stewards of Abundance project may have had a slight influence.

Figure 1. Average Educational Debt per M.Div. Graduate

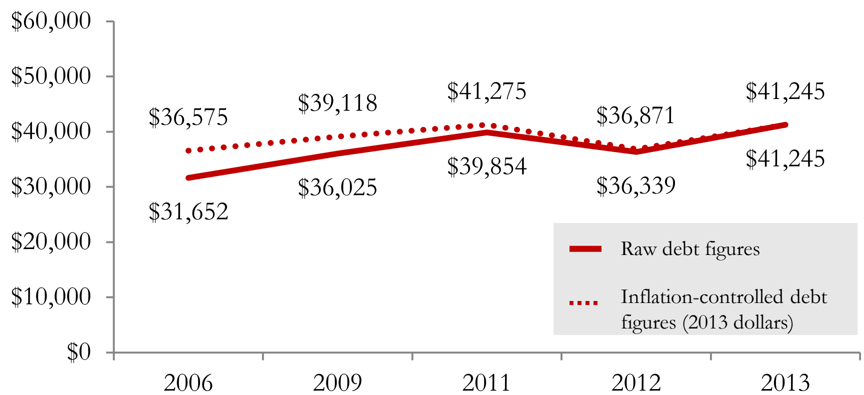
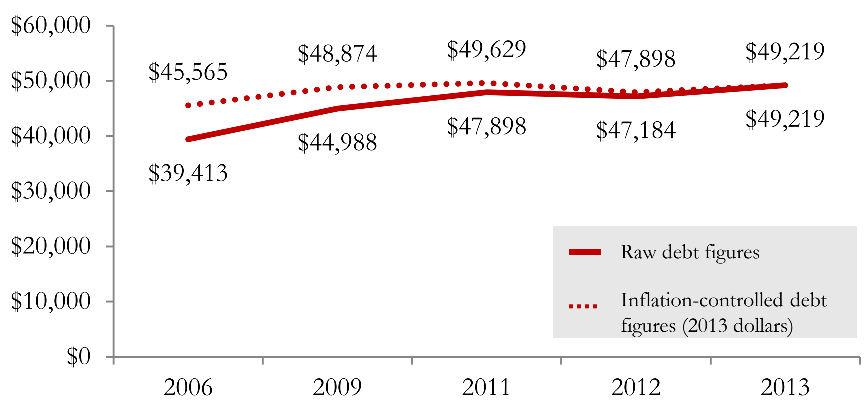


Figure 2. Average Educational Debt per Borrowing M.Div. Graduate



When accounting for inflation, average educational debt per graduate was highest in 2011 and increased 13 percent from 2006 to 2013. Results were similar for the average educational debt per borrower. The highest levels were seen in 2011, and this figure had increased 8 percent from 2006 to 2013.

The total educational debt of seminarians is generated from two primary sources: undergraduate educational debt and educational debt actually acquired during seminary. The increase in total educational debt is due in part to a greater proportion of students entering seminary with undergraduate educational debt, as well as the increasing amount of this type of debt. In 2006, 34 percent of ELCA M.Div. graduates carried undergraduate educational debt compared to 47 percent of graduates in 2013. The average amount of undergraduate educational debt among those who borrowed increased 28 percent from $14,113 in 2006 to $18,042 in 2013. (When accounting for inflation, this increase was 11 percent).

Although undergraduate educational debt has increased at a higher rate, it is theological education debt that accounts for the largest proportion of most graduates' educational debt. Between 2006 and 2013, the annual proportion of graduates carrying theological education debt was approximately 77 percent. The average amount of theological education debt per borrower showed an increase of 21 percent from $34,335 in 2006 to $41,484 in 2013. When adjusted for inflation, this represents a 5 percent increase, suggesting that the amount of theological educational debt per borrower did not change significantly between 2006 and 2013.

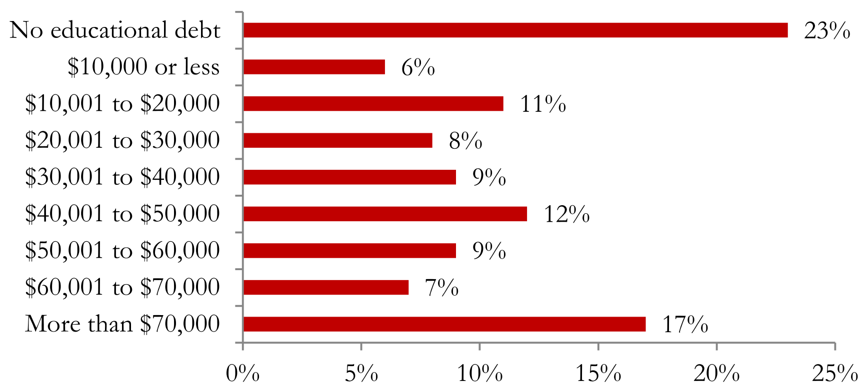
Prior to the Stewards of Abundance project, one aspect of educational debt among graduates that had not been analyzed was the relationship between educational debt amounts and first call salaries. The intent of this analysis is to determine at what level of educational debt a graduate may begin to have difficulty with repayment given the salary that he or she is likely to earn as a first call pastor in the ELCA.

The analysis shows that for 2012, a graduate earning a typical first call salary in the ELCA could expect to begin to have difficulty managing repayment at a total educational debt amount of $31,500 or higher[2]. There are, of course, many factors that could push this amount—known as the "level of concern"—lower or higher for any individual, such as whether or not there is a second household income, whether or not there is other debt in the household, the number of dependents in a household, the length of time over which repayment is scheduled, and the interest rate that is secured for repayment. Because a seminarian will likely not be able to accurately predict these factors while he or she is attending seminary, it is reasonable that seminary graduates should try not to exceed this amount of total educational debt[3].

Note 2: This assumes the ability to repay the debt in 10 years at a 6.8 percent interest rate (the fixed rate for an unsubsidized graduate student federal loan through June 30, 2013).
Note 3: Because first call salaries change over time, this level of concern amount will also change. As first call salaries increase, so too would the level of concern.

In looking at the 2012 graduate data (presented in Figure 3), it is evident that not only do a significant proportion of graduates have educational debt above the $31,500 level of concern, but some graduates have educational debt that is double that amount or more. Fifty-two percent of 2012 graduates had educational debt that exceeded the level of concern. Seventeen percent had educational debt in excess of $70,000.

Figure 3. Distribution of Educational Debt among 2012 M.Div. Graduates



Effects of Educational Debt

Previous research by the Auburn Center suggested the educational debt carried by those graduating from theological school may have a significant negative impact. Concerns were raised that extensive educational debt could hinder graduates from accepting calls to more challenging or lower paying settings for fear that there would not be enough financial stability or a high enough salary to support their debt repayment. In addition, there were concerns that high educational debt could lead to graduates delaying entry into ministry or leaving the ministry to pursue higher-paying positions in other occupations. Finally, there were concerns that the stress of extensive educational debt could lead to low effectiveness in ministry.

Stewards of Abundance conducted a number of surveys and congregational visits with recent ELCA M.Div. graduates and, when relevant, their congregations in order to determine how apparent and accurate the concerns about the effects of extensive educational debt are within the ELCA. Initial findings showed somewhat mixed results when looking at the relationships between educational debt and length of time to receive a first call and the time pastors remained in that call, personal and professional satisfaction, and effectiveness in ministry.

An analysis of 2006 graduates showed that following graduation from seminary, there was a relationship between a graduate's level of educational debt and the average amount of time it took to accept a first call. Those without educational debt accepted their first calls an average of five months later than those with educational debt. In interviews with 2006 graduates, many of those with the highest educational debt suggested that they had quickly taken a first call out of a necessity to support their families and begin their debt repayment.

It appears that those pastors with more educational debt have been more likely to seek out another call. An analysis comparing those who were in their first call to those who were in a subsequent call showed those in their first call had considerably less debt on average than those in a subsequent call ($28,182 compared to $40,357). Additionally, five years after they entered their first call, 56 percent of those with educational debt of more than $60,000 were in their second call, compared to 20 percent of those with no educational debt.

Further analysis of these 2006 graduates showed that pastors with higher educational debt experienced somewhat greater financial and emotional struggles, including less satisfaction with savings and a greater level of resentment within themselves and from their spouses or partners regarding debt and its effects. In addition to resentment about their level of educational debt, some pastors with higher educational debt indicated a greater resentment about their financial situations due to their level of compensation.

Although survey results showed pastors' satisfaction with their financial circumstances was somewhat related to the level of their educational debt, this did not extend to their satisfaction with their health, the health of their relationships with others, their spiritual lives, or their opportunities for continuing education.

Stronger than the relationships between actual levels of educational debt and pastors' satisfaction with finances were the relationships between pastors' concern over their educational debt and their satisfaction with finances. Those with greater concern were less satisfied. Additionally, these pastors were less satisfied with their personal relationships, their health, and their spiritual lives.

In terms of ministerial effectiveness, there was no clear relationship with respect to level of educational debt. One way ministerial effectiveness was measured was through a survey of congregational members, whose pastors were 2006 ELCA M.Div. graduates. In general, congregational respondents provided high ratings of their pastors on scales of effectiveness, including how well the pastor identifies with a congregation and about the pastor's involvement with the congregation and community. There was generally little to no difference on how pastors were rated by the level of educational debt they carried.

However, pastors with high levels of educational debt indicated themselves that they may be less likely to take actions which could put their call at risk. The lack of activity may come in conflict with necessary changes that should be occurring within some congregations. Survey work with lay leaders in congregations conducted in support of the ELCA's Living into the Future Together (LIFT) task force showed many people like their congregations just the way they are[4]. The vast majority of congregational leaders also indicated they believe changes in the broader culture have negatively impacted their congregations and there is little they can do to counter these changes. If it takes strong and decisive leadership to help lead congregations out of this passivity toward being an engaging positive force in the local community, then a significant level of educational debt may be a hindrance.

Even though there was no clear relationship between actual levels of educational debt and ministerial effectiveness, the amount of concern that one has relative to his or her educational debt did appear to have a relationship to at least some aspects of ministerial effectiveness. For example, congregational members whose pastors had a low amount of concern relative to their educational debt were more likely to say their pastors:

- provided specific examples of how Christian faith can influence what they do in their daily lives;
- clearly communicated the mission of the congregation;
- shared an understanding of that mission with the congregation; and
- were effective at letting members know that they understood the challenges congregational members face in their daily lives.

In addition, congregations pastored by those with lower amounts of concern relative to their educational debt not only reported less conflict, but were described by congregational members as more welcoming and discipling than congregations pastored by those with higher amounts of concern about their educational debt. Finally, pastors with lower amounts of concern about their educational debt were significantly more likely to say their congregations help members grow in faith (35 percent of pastors with lower levels of concern compared to 0 percent with higher levels of concern about their educational debt).

Note 4: "Report on the Open, Clergy, and Lay Leader Questionnaire", 2010. Available from ELCA Research and Evaluation.

Efforts to Reduce Educational Debt

The cost of attending seminary is not what it used to be. Decreased support from congregations, synods, and the churchwide organization have necessitated higher tuition. Survey results show that congregational lay leaders do not believe congregations should play a primary role in supporting theological education. The majority of contributions to the system of theological education now come from other sources, such as gifts from individuals and foundations. It is likely these other sources will become increasingly important without a significant shift in the current trend.

One of the most significant changes in the cost of attending seminary has been the rise in living costs (including housing, transportation and insurance). Estimates suggest that living costs account for between 50 and 60 percent of the total cost of one year of residential education at an ELCA seminary.

One of the primary goals of the Stewards of Abundance project was to reduce seminarian debt. To support this effort, Stewards of Abundance partnered with each of the eight ELCA seminaries to support three projects:

- Financial Education Programs;
- Advocacy programs designed to promote the importance of theological education and strengthen relationships between ELCA members and seminaries; and
- A Strategic Scholarship Program.

Financial Education Programs

Students at all ELCA seminaries had the opportunity to participate in a seminary-designed financial education program. Most programs used financial coaching as the primary method for providing financial education. Other programs offered financial workshops and seminars. Several programs used a combination of coaching and seminars to educate students.

In 2013, more than a third of all students enrolled across the seminary system participated in financial coaching at their seminary, and nearly half of all students participated in financial education workshops or seminars. The overall percentage of students reporting proficient knowledge on topics of personal and congregational finances increased from 2011 to 2013. As expected, these percentages were higher among students who had participated in financial education compared to those who had not.

These financial education programs became an established part of all ELCA seminaries during the Stewards of Abundance project and were expected to continue past the completion of Stewards of Abundance.

Advocacy Programs

According to survey results, many lay leaders in ELCA congregations and some rostered leaders did not demonstrate a strong working knowledge of how seminary education is funded in the ELCA. In partnership with Stewards of Abundance, the seminaries designed programs intended to enhance the knowledge of ELCA members about the seminary system and share the importance of theological education in creating leaders that will serve the church in the future.

The activities undertaken by each seminary were distinct, but fell into four general categories:

- Inviting those who otherwise would have little connection with the seminary to visit the campus;
- Providing training to individuals who already had a connection to the seminary, allowing them to engage in more informed advocacy;
- Sharing information about the seminary experience by sending seminary staff and students to gatherings of ELCA members; and
- Enabling seminary advocates to gather together in locations outside the geographic area of the seminary.

Evaluation of the implementation and effect of these programs is ongoing. Early reports suggest that individuals who were invited to visit the campuses had very positive experiences. Seminaries have reported that visitors have left the campus with the necessary energy to support theological education through continued learning, donations, and volunteerism.

Strategic Scholarship Program

Another of the efforts undertaken by Stewards of Abundance to reduce educational debt among seminarians was the creation of a strategic scholarship program. Scholarship eligibility was based on projections of educational debt levels at graduation and the amount that these projections exceeded the calculated level of concern, discussed previously. Scholarship recipients were required to participate in the financial education program provided by their seminary, with the expectation that they would be able to use the information to reduce their borrowing even more than what the scholarship amount would provide.

At present, research on the impact of the scholarship program is ongoing and final conclusions about its effectiveness cannot be determined. Total educational debt at graduation for the scholarship recipients will be available later in 2014 and in 2015.

Future Considerations

A number of actions are currently being undertaken throughout the ELCA seminary system which are intended to produce a variety of results including reducing the cost of seminary education. These actions include curriculum changes, the addition of online learning opportunities, increased time in paid internship sites, faculty sharing programs and mergers with ELCA universities.

Although efforts to reduce the cost of seminary are being undertaken, trends indicate that this cost may plateau or continue to increase. If so, the questions may become less about educational debt prevention (which may not be feasible) and more about salary and debt repayment.

Part of this discussion and another potential difficulty for seminary graduates is the decrease in the number of congregations that can afford a full-time pastor. With the proportion of congregations increasing that have an average weekly worship attendance of 50 or less, this trend seems likely to continue. To address this situation, graduates may be required to develop different skill sets than those graduates of the past.

Finally, a survey of lay and rostered leaders in the ELCA showed a clear relationship between knowledge about the system of theological education and contributions to support that system. Based on this relationship, it may be reasonable to conclude that efforts to increase knowledge could increase contributions.

Continued attention to the trends and effects of seminarian educational debt are an important piece in the ongoing conversations about theological education in the ELCA. These factors may be determinants for some potential future leaders who may be selecting between a career as a pastor and another profession.