

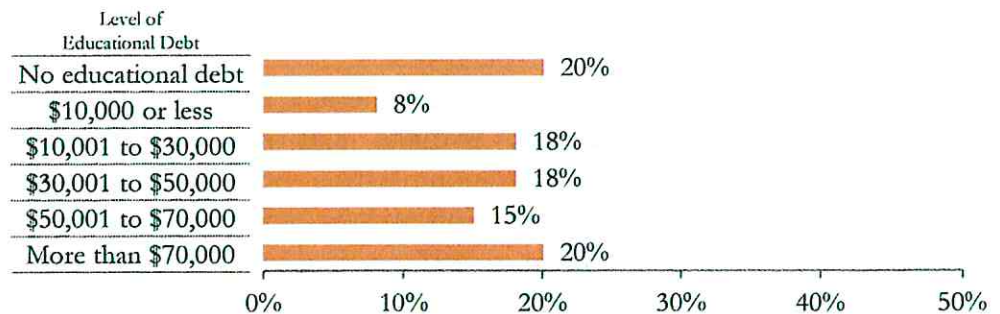
LET'S TALK ABOUT DEBT

What is the average educational debt for recent seminary graduates?

Educational debt is a significant issue across the American educational system. Theological students are not exempt from this issue. In fact, the Auburn Center for the Study of Theological Education stated that every theological school in North America is now affected by educational debt¹. “Even students in schools that have declined to be a part of the US federal loan program and those in schools that fully fund their students are affected, because many of their students bring significant undergraduate debt with them into seminary” (p. 1).

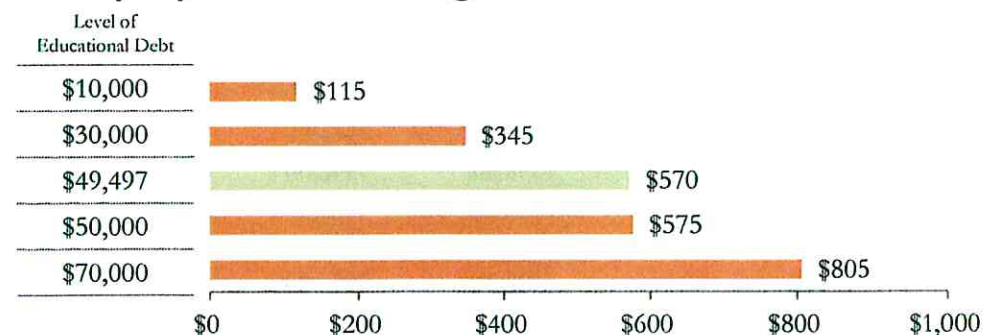
In the Evangelical Lutheran Church in American (ELCA), 80 percent of 2015 Master of Divinity (M.Div.) graduates carried educational debt of some form. Forty-six percent of graduates brought undergraduate debt with them into seminary. Seventy-seven percent of graduates incurred theological education debt while in seminary. Below is a breakdown by percentage of graduates who carried differing levels of educational debt.

Percent of 2015 Graduates with Differing Educational Debt Levels



The average amount of total educational debt among 2015 graduates who borrowed was \$49,497. In order to pay off this amount of educational debt in 10 years, a graduate’s monthly payment would be approximately \$570². Obviously, not all graduates carried this level of educational debt. Some carried more, some carried less, and some did not carry any. Several representative debt levels and the monthly payments associated with each are shown below.

Monthly Payments for Differing Levels of Educational Debt



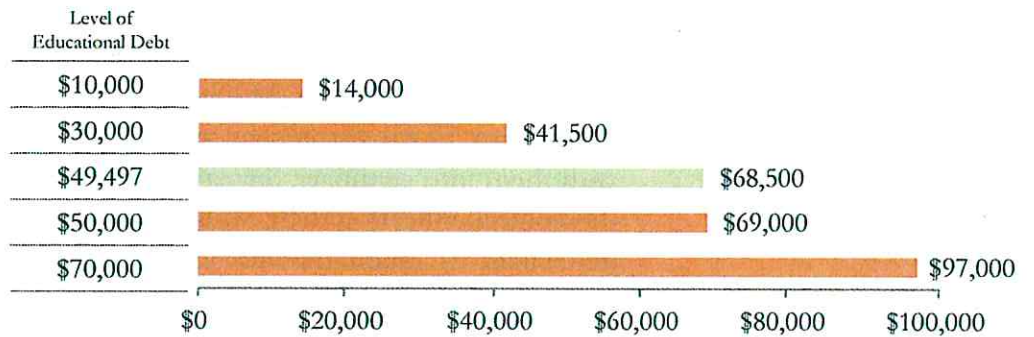
Note 1. Miller, S.L., Early, K.M. & Ruger, A. (2014). *Taming the Tempest: A Team Approach to Reducing and Managing Student Debt*. Auburn Studies No. 19. (Find at: <http://www.auburnseminary.org/sites/default/files/Taming-Tempest-Final.pdf>)

Note 2. This assumes repayment in 10 years at a 6.8 percent interest rate (the fixed rate for an unsubsidized graduate student federal loan through June 30, 2015).

What level of compensation does it reasonably take to pay off debt?

Paying off even an average level of debt can require substantial compensation. Making a monthly payment of \$570 (the associated monthly payment with the average debt level among borrowers of \$49,497) requires annual compensation of \$68,500³. The chart below shows a comparison between several levels of educational debt and the annual compensation needed to repay those levels in 10 years.

Annual Compensation Needed to Repay Educational Debt in 10 Years

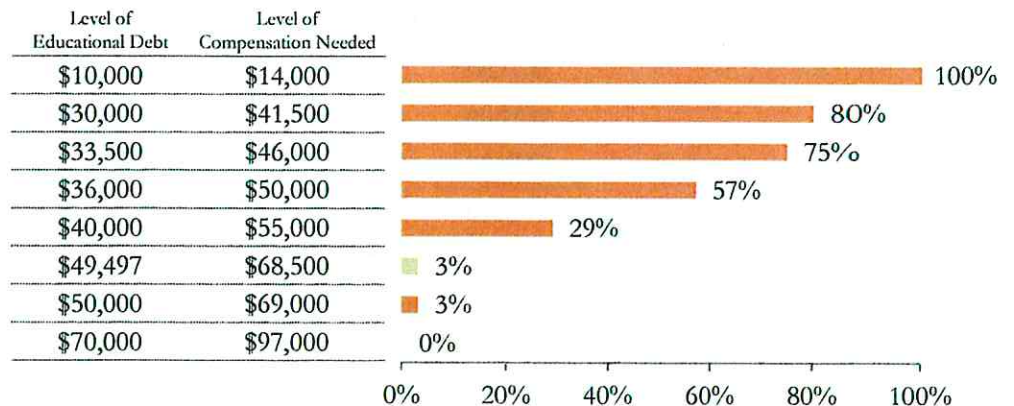


What level of compensation have recent graduates earned?

The median total defined compensation for a first-call pastor ordained in 2015 was \$51,000. Half of newly ordained pastors received a compensation package above this amount and half received a compensation package below this amount. Two-thirds of first-call pastors in 2015 received total defined compensation between \$40,000 and \$60,000.

Approximately 3 percent of pastors ordained in 2015 earned at least the \$68,500 needed to pay off the average debt level of \$49,497 in 10 years. The chart below shows examples of educational debt levels, the compensation needed to repay these debt levels and the percentage of pastors ordained in 2015 who earned at least this amount of compensation.

Percent of Pastors Ordained in 2015 Earning Differing Compensation Levels



Note 3. This assumes using 10 percent of one's salary over the course of 10 years to pay down educational loans. FinAid.org recommends that educational payments represent no more than 10 to 15 percent of income.

ACADEMIC YEAR	AVG STUDENT LOANS PER YEAR PER DEGREE-SEEKING STUDENT
2014 - 2015	\$8,250.00
2015 - 2016	\$7,125.00
2016 - 2017	\$7,000.00
2017 - 2018	\$5,000.00