Release the indentured generation!

Linda Dorr

As Madison and Scott committed their lives together in marriage, their hearts beat as one. God had called them to the mission field, and they were glad to go. From Scott's 6th-grade commitment by the campfire and Madison's commitment at an Urbana convention, they knew that they wanted to spend their lives among an unreached people.

Unfortunately, a combined $80,000 of student debt awaited them after college graduation. Soon their first daughter, Sydney, was born, followed shortly after by Cameron. The enthusiasm they felt at graduation waned under the medical bills, mortgage payments, and day-to-day struggles of raising small children. Each month the $981 college loan payment seemed to smirk at Scott as he wrote out the check. Eventually, like the seed that sprang up quickly but was choked out by the cares of this life, Madison's and Scott's call to missionary service died among the pressures of life and the need to wait many years to pay off their college debt.

Though "Madison" and "Scott" are composite creations rather than actual persons, they represent many real people carrying a very real burden of student debt. Where does such debt come from? First, tuition rates are exploding at American universities. During the last decade tuition and fees at private and public universities grew by 40 percent and 33 percent respectively, according to a report by the State Public Interest Research Group (PIRG). By comparison, the median family income increased only 12 percent. Tuition rates nationwide are rising approximately 5% per year on average.

70% of current graduates

46% of graduates ten years ago

Percentage of students who graduated with student loan debt

Second, while tuition rates rise, grant aid continues to shrink. Since 1992 the federal government has shifted more federal aid into loans instead of grants. Whereas in the early 1970s grants comprised the majority of student aid, loans now comprise the majority, according to the Center for Economic and Policy Research in its report on "The Debt Explosion Among College Graduates."

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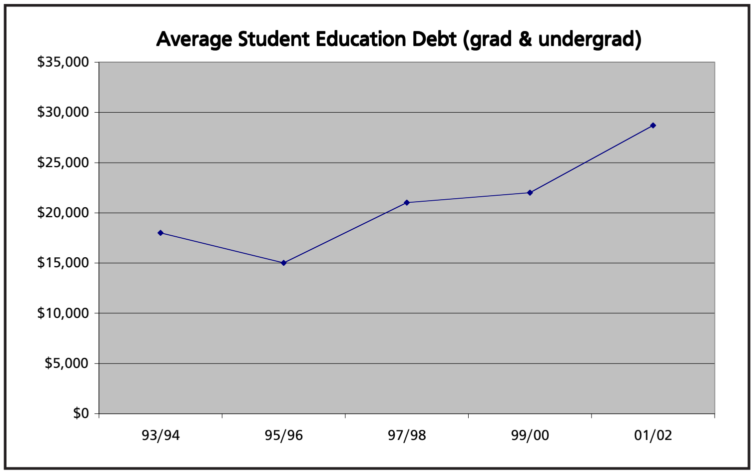
Furthermore, whereas all previous federal loans were subsidized (meaning the government pays the interest that accrues during college), now only two-thirds are, adding to the debt burden. By 2000, according to the National Center for Education Statistics, close to 70% of graduates with bachelor's degrees had student loan debt, compared to only 46% of graduates ten years earlier. Banks and private loan companies have gladly jumped in, making educational loans even more available.

With tuition rates rising and grants shrinking, it's no surprise that the result is a runaway increase in student debt levels. According to the National Student Loan Survey (NASLS) conducted in 2002, the average student debt has nearly tripled since 1987, and has increased 236% since 1991. Half of all graduates owe more than $18,400 at graduation ($16,200 at public universities). In addition, the traditional gap between student debt incurred at private and at public institutions is narrowing each year. Many students from middle-to upper-income families have added private loans to federal loans, and PIRG reports that 23% have accumulated more than $40,000 in debt after four years in college.

Such levels of debt constitute a form of indentured servitude for today's student generation. For ten or more years after graduation, much of the family budget must be spent on debt repayment. (See the table on "How much will my student loan really cost?") The NASLS survey in 2002 reports, "Over half of respondents reported feeling burdened by their loans, and a similar number would borrow less if they had to do it over again." In addition, the survey states, "Contrary to expectations, those who have been paying back their loans for at least three years report feeling much more burdened by repayment than do the others."



Some recent graduates are "solving" the problem of unmanageable debt by refinancing their college loans so that they can be paid over 25 years instead of the normal ten years. This means that when their oldest children go off to college, the parents will still be paying off their own college loans! Such a maneuver doesn't reduce the burden, but spreads it out and adds a huge amount of accumulated interest. Other graduates try to solve the problem by declaring bankruptcy, but student loans cannot normally be wiped out through bankruptcy. Yet PIRG estimates that 39% of student debt holders have loans that are unmanageable.

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These levels of student debt also make a major impact on career decisions. In 1997 only 11% of the NASLS survey respondents reported that they "significantly changed their career plans because of student loans"; by 2002 that number had jumped to 17%. A 2003 study released by Collegiate Funding Services found that more than 30% of college graduates said they had to take a job other than the one they really wanted in order to pay off their loans. This trend has disproportionately impacted the public-service sector (social service, public-service law, teaching, religious service) because of the traditionally lower-paid jobs in this sector. Those recent graduates who do enter public service often find that their student debt well exceeds their annual salaries.

Mission agencies are recognizing the student loan challenge and are working hard to enable those with student loans to become career missionaries. For example, Ben Sawatsky of the Evangelical Free Church Missions and Scott Olson of Global Partners (Wesleyan Church) indicate that as many as 95% of applicants to their agencies are paying off significant student loans. Most agencies now allow an applicant to come to them with up to $10,000 of educational debt or up to $300 in monthly payments on student loans. (They still require all consumer debt to be retired.) Often there is a limit, such as three years, in which applicants must pay off student loans. Wycliffe Bible Translators allows up to $24,000 in individual student debt or $36,000 in total family student debt. While some agencies specify that debt repayment must come out of the missionary's annual

budget, others allow funds for debt repayment to be raised over and above the normal budget.

The extensive scope of educational debt affects not only prospective missionaries, but also prospective donors. If you're a prospective missionary, and many of your *friends* are weighed down by student debt, how will *you* raise the additional amount needed to cover your educational debt? In addition, the unemployment rate for college graduates under the age of 35 has doubled in the last three years, according to Jared Bernstein, senior economist at the Economic Policy Institute. With jobs harder to find in an uncertain economy, prospective missionary candidates should not assume that raising extra funds for debt payment – even when allowed by mission agencies – is the answer.

How much will my student loan really cost?

At Stafford maximum interest rate of 8.25%		Repayment Period 10 yrs	5 yrs	3 yrs
total student loan due	$80,000			
monthly payment due		$981.22	$1,631.70	$2,516.95
estimated annual salary needed to afford		$117,746.00	$195,804.00	$301,938.00
total interest paid over life of loan		$37,746.59	$17,902.01	$10,581.23
total real cost of loan (including interest)		$117,746.59	$97,902.01	$90,581.23
total student loan due	$40,000			
monthly payment due		$490.61	$815.85	$1,258.07
estimated annual salary needed to afford		$58,873.20	$97,902.00	$150,968.40
total interest paid over life of loan		$18,873.29	$8,951.00	$5,290.64
total real cost of loan (including interest)		$58,873.29	$48,951.00	$45,290.64
total student loan due	$20,000			
monthly payment due		$245.31	$407.93	$629.04
estimated annual salary needed to afford		$29,437.20	$48,951.60	$75,484.80
total interest paid over life of loan		$9,436.32	$4,475.43	$2,645.30
total real cost of loan (including interest)		$29,436.32	$24,475.43	$22,645.30
total student loan due	$15,000			
monthly payment due		$183.98	$305.94	$471.78
estimated annual salary needed to afford		$22,077.60	$36,712.80	$56,613.60
total interest paid over life of loan		$7,077.40	$3,356.68	$1,983.97
total real cost of loan (including interest)		$22,077.40	$18,356.68	$16,983.97
total student loan due	$10,000			
monthly payment due		$122.65	$203.96	$314.52
estimated annual salary needed to afford		$14,718.00	$24,475.20	$37,742.40
total interest paid over life of loan		$4,718.49	$2,237.79	$1,322.65
total real cost of loan (including interest)		$14,718.49	$12,237.79	$11,322.65

Source: www.finaid.com/calculators

Another set of problems faces a prospective missionary candidate determined to work off his or her debt for several years before candidacy. First, many agencies affirm the long-held principle that it's better to begin missionary service sooner rather than later because younger people often show greater flexibility as well as greater ability to learn languages and adjust to other cultures. In addition, waiting until your 30s to join an agency (once your loan is paid off) also shortens the effective years available for missionary service (before the needs of parents or teenagers may require a return to the home country).

Second, it has been observed that the longer a young adult stays in the United States, settling in to the "American way of life," the harder it is to pull up roots, raise financial support, and depart for the mission field, for the inertia is enormously powerful. Though some families have overcome such inertia, they represent the exception rather than the rule, and to expect this pattern to become the norm raises the hurdle too high.

How can we learn to live a "wartime lifestyle" in educational arenas?

My recommendation is that Christian students with loan obligations make every effort to pay them off within three years of graduation from college. This could mean tremendous sacrifice for a few years, but wonderful freedom thereafter – freedom to follow their desired careers, and freedom to support missionaries wholeheartedly and open-handedly. Those students who have not yet incurred loans should determine to reduce or eliminate loans in all possible ways. The late Larry Burkett of Crown Ministries warned, "A student loan should only be considered as a last resort." He stated that student loans – even the federal Stafford loans – are "outrageously expensive and can lead students from financial euphoria into financial bondage."

Today's students are increasingly shackled by debt, much of which results from educational loans. Before this out-of-control increase in the debt burden encumbers mission giving and missionary candidacy any further, we need to act.

We also need to rethink the way we do education. Is the present system the only or best way? Even participating in schools as they are, how can our educational goals be reached without mindlessly following the norm and ending up over $20,000 in debt? Is there any hope for Christian institutions to aspire to Princeton University's commitment to a "loan-free" education for its students (until they match Princeton's endowments)? Or to emulate Rice University, which guarantees an undergraduate cap of $10,500 in need-based debt? Are our desires for things we cannot afford (both consumer goods and "status" degrees) undermining our ability to serve God and His kingdom effectively? How can we learn, as Christians, to live a "wartime" lifestyle in educational arenas? How can we teach our children to "owe no man anything except the debt of love"?

With a degree in anthropology and accounting, Linda Dorr has served with the U.S. Center for World Mission (USCWM) in a variety of roles since 1976. She presently teaches in a high school co-operative and assists with special projects at the USCWM.