

REACHING OUT WEDNESDAYS

Topic: Student Loan Debt

The Eparchy of the Holy Protection of Mary Byzantine Catholic Eparchy of Phoenix for the Ruthenians take every application on a case by case basis, but generally, applicants have to assume that they are going to handle it themselves (in whatever way they can.)

Archdiocese of Philadelphia - Our policy is that a man cannot apply with a student loan debt greater than 75k. However, it is on a case by case situation. In general, we ask him to address the loan and keep in touch... but that being said we have accepted several men with loans amounts greater than 75K (BUT ONLY STUDENT LOANS) We are currently trying to address the issue of assisting those men with tuition reimbursement but with our terrible financial situation it will most likely be a mute issue at this time. At present we do reimburse 100% of student loans incurred while in formation.

Diocese of Columbus - if it is a student loan, we let him defer payment and let him handle it after ordination. We do not pay the loan. If it is a personal loan, like house, car, credit card, etc., he would be required to pay it before admittance.

Archdiocese of Cincinnati - \$75,000 would be more than we could accept for a candidate. We would work with him to pay it down, hopefully to the \$30K level prior to acceptance. We only provide assistance w/ loans from college seminary programs sponsored by the Archdiocese.

Diocese of Austin - We allow for a maximum of \$50,000 student debt (non-interest deferrable while in school) and \$3,000 other forms of debt. In the case of someone with \$75,000 student debt we would ask him to pay down his debt before entering seminary.

Melkite Greek Eparchy of Newton: We allow him to apply and ignore the debt and let him handle it. If you ask him to pay a debt of \$75,000 or more before going to seminary, it could take years.

In the Eparchy of Phoenix, we allow an indebted applicant to apply, looking at practical ways that he can handle (or defer) his debt while in formation and following formation. Further assistance is usually available in our Eparchy to a newly-ordained priest who still has college debt.

Archdiocese of Kansas City KS offers some research done:

Here few resources you might find helpful:

<http://www.finaid.org/loans/ibr.phtml>, probably the most helpful

<http://studentaid.ed.gov/repay-loans/understand/plans/income-based>

<http://www.whitehouse.gov/blog/2012/06/07/income-based-repayment-everything-you-need-know>

Here's a succinct summary, from the first link:

Income-based repayment is similar to income-contingent repayment. Both cap the monthly payments at a percentage of your discretionary income, albeit with different percentages and different definitions of discretionary income. Income-based repayment caps monthly payments at 15% of your monthly discretionary income, where discretionary income is the difference between adjusted gross income (AGI) and 150% of the federal poverty line that corresponds to your family size and the state in which you reside. There is no minimum monthly payment. Unlike income-contingent repayment, which is available only in the Direct Loan program, income-based repayment is available in both the Direct Loan program and the federally-guaranteed student loan program, and loan consolidation is not required.

The maximum repayment period is 25 years. After 25 years, any remaining debt will be discharged (forgiven). Under current law, the amount of debt discharged is treated as taxable income, so you will have to pay income taxes 25 years from now on the amount discharged that year.

As of January 1, 2014 (unless the law changes), this deal gets even a little sweeter, and we only have to pay upwards of 10% (instead of 15%) of monthly discretionary income.

The first link I provided has a helpful chart, and one of the other ones has a calculator, but here's what this means in action. As a seminarian, my income is low enough that I now pay \$0 a month, and it appears that I won't have to pay anything during my entire time in seminary. On a priest's salary, I'd have to resume repayment, but at a substantially lower rate than what I would be paying otherwise. I'm not sure exactly what KCK priests make, or how things like free housing are handled for tax purposes, but I'll use \$35/year AGI, just to have something to work with. If that number is in the right ballpark, it would mean repayment would be no higher than \$234 a month, or \$2808 a year.

After 25 years, whatever balance remains is discharged, and my liability would just be for the tax portion of that. So if I had 6 years as a seminarian (paying nothing), and 19 years as a priest (paying \$2808 a year), I'd ultimately be liable for \$53,352. Everything above that, including all of the interest accruing over the course of 25 years, would be forgiven. We're talking about tens of thousands of dollars here being forgiven. True, I would take a hit on my taxes that year: those tens of thousands of dollars would be treated as income, meaning that I'd likely end up paying for some portion of it.

As far as I can tell, this option looks like one that anyone who is serious about ordination might want to consider, particularly if they're serious about ordination and have lots of debt. There's one other important detail: income-based repayment isn't based off of the amount of loans owed. I'd be paying the exact same amount every month (excluding the tax return in the 25th year), whether I owed \$55,000 or \$555,000. You simply pay at the income-based rate until the debt is paid off or twenty-five years lapses. Given that, a lump sum payment from the Archdiocese might not be the most effective way of handling that debt, particularly since that lump sum would be treated as income for AGI calculation purposes (meaning that it could increase the amount owed the following year). Smaller periodic payments may be a more effective route.

There are also details that are worth being aware of: certain types of loans aren't eligible, it requires annual paperwork, etc. So it may be worth running by an accountant or lawyer on your end.

Diocese of Sacramento: In the past, for several years, our Diocese has taken care of College and Theology expenses, even though the policy says that seminarians are responsible for their College expenses. At that time (until June 2011), a candidate with debt had to pay it off, or at least reduce it to no more than \$20,000 to be considered.

Starting last year, the policy is enforced again. That means, College students are going to accrue a loan that they will start paying after ordination; Bishop has plans to help with part of their monthly payment. It is not written yet, and he might not be here when they are ordained! If a candidate leaves before ordination, he takes his debt with him! So, when a candidate now comes with a debt, we accept them, knowing that they can defer the payments until when they start making money; remember: it is their responsibility!