

What Does the Bible Say About Student Loans?

There are several high profile financial advisors who adamantly argue that debt is bad. You may even have heard some folks say that the Bible itself instructs us not to borrow money. However, according to www.finaid.org, 86.3% of students who applied for financial aid and who graduated with a bachelor's degree in 2008 took out student loans. Indeed, it may seem impossible to pay for college without loans.

WHAT DOES THE BIBLE SAY?

While the Bible includes more than two thousand verses concerning money and property, it's no great surprise to learn that it doesn't touch on the specific subject of student loans, since they didn't exist two thousand years ago. God's Word doesn't prohibit borrowing in general, but it does present principles that are critically important. Some Christians, as they decide how to apply these principles to their own lives, may choose not to borrow at all. Other Christians decide to borrow sensibly and repay properly.

Robin Maxson, co-author of *Decision Making and the Will of God*, says that the Bible is cautionary in its tone when it addresses would-be borrowers. At the same time, he says,

"Those with financial means are *commanded* to lend to those in need, and *commended* for shrewd investment practices. What this indicates is that borrowing and lending are a fact of life that must be entered into with care, but represent a legitimate means to address a variety of financial issues."

Tim Stebbings, business professor at Gordon College in Massachusetts, says, "As an overall principle, the Bible commands us to be honest people—people of integrity."¹ Paired with this principle is the concept of good stewardship. Different people may come to different conclusions about the wisdom and rightness of borrowing money for college. If you look at student loans through the lens of integrity and stewardship, you will arrive at a decision that honors God.



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GOOD STEWARDSHIP

According to Webster, a steward is one who acts as an administrator of someone else's finances and property. If you view all that you have as belonging to God, then stewardship means both protecting those assets—physical and spiritual, earthly and eternal—and making the most of them. The Gospels include a story Jesus told, sometimes called “The Parable of the Talents” (Matthew 25:14-30; Luke 19:11-26). In this narrative, Jesus tells of a king who gave money to several servants in order to find out whether or not they were good stewards. Those who were good guardians of the king's resources—increasing their worth—were rewarded with even greater opportunities.

First Corinthians 4:2 says, “It is required of stewards that they be found trustworthy” (ESV). You may have been given intelligence, talent and a calling that can be maximized best by obtaining a college education. For you, true stewardship may mean taking all reasonable steps necessary to gain that schooling. Without the proper preparation your aptitude may be wasted or you may be unable to complete the work to which you feel called.

There are several other ways to look at good stewardship. Let's say that you are faced with funding a college education that will cost \$27,000 per year for four years. Through a combination of things—parental assistance, personal savings, scholarships, grants, and work-study employment—you figure that you can come up with \$22,000 of what you need. There are at least two approaches you can take to raising the additional \$5,000 per year. You can take a year off and work to raise the additional \$5,000 every other year or you can take out a student loan for that amount.

The first approach allows you to avoid taking on debt, but there are other “costs” to that plan. While you're in college, your earning power is much less than it will be after graduation. Asking “Do you want fries with that?” is less lucrative than conducting

an audit for your accounting firm or treating a patient in a clinic. Not only can it take awhile to save \$5,000 while working a minimum wage job, this plan delays your entry into your career, a career that is likely to be more satisfying as well as paying better than a temporary job.

Second, continually interrupting your education can make it harder to get some scholarships and grants. For instance, some scholarships are good for only four years, so if you take longer to complete your education, you will lose out on the last year or more of the award.

Third, it's likely that tuition will increase every year. If your sophomore year is scheduled to cost \$27,000 but you sit out that year to work, that same year's education—completed three years later perhaps—will cost over \$31,000 if costs go up 5% a year.

Lastly, the pay-as-you-go approach stretches the educational process out for eight years, decreasing the likelihood that you will actually press through to graduation, and postponing the next stage of adult life for an additional four years.

Ephesians 5:15-16 says, “Therefore be careful how you walk, not as unwise men but as wise, *making the most of your time*, because the days are evil” (NASB, emphasis added). Robin Maxson says, “If one takes into consideration one's stewardship of money *and time*, it looks like it would be ‘less expensive’ to borrow the money up front, and pay it back with earnings that are hopefully higher.”

One final comment: For most students, the financial benefits of going to college are realized only when they've earned a degree. If you are uncertain of your commitment to completing college or your ability to do so—if you're just sort of “checking things out,” so to speak—you need to be especially cautious about how much you borrow.

WHAT'S REASONABLE?

A key word to focus on is “reasonable.” First, it is important to exhaust all other options. Second, a student should borrow only *if* necessary and only *what* is necessary. It is altogether too easy to take out student loans these days and many students find themselves borrowing more than they really need. Often, they don't even truly realize that they are borrowing! It's only when they make the first of what may be ten years' worth of monthly payments that they realize that they really could have been a bit more frugal while in college and thus borrowed less.

There are several types of student loans available to you (and to your family). In addition to considering how much you might borrow each year, pay attention to interest rates, deferment options and repayment requirements. Borrowing \$3,000 in a subsidized federal loan may be more reasonable than borrowing \$2,500 from a private source.

STUDENT LOANS AS AN INVESTMENT

Todd Temple, a columnist for the webzine *Boundless* (www.boundless.org), is skeptical of student loans. Nonetheless, he writes, “When used wisely, they can open wide doors in your educational choices.”



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He adds, "A student loan is a form of *investment* debt: borrowing money to pay for something that is expected to increase in value. . . As such, a student loan makes good financial sense only if it passes the test of a wise investment debt."

From a financial perspective, student loans generally are a good investment because most college graduates do make more than their less-educated counterparts. It is essential, however, that you realize that there are no guarantees of permanent financial security . . . even for engineers or doctors!

Temple also points out that some benefits of a college education aren't measured in dollars-and-cents. He writes:

But what the numbers won't tell you is the value of the debt-education in non-financial terms. . . Certainly [there may be] much to be gained from living on campus in a community of committed Christians, attaining an education rooted in a Christian worldview. How do you put a price tag on these items? You can't. So it seems that the financial issue is not the bottom-line issue. The real bottom line is more personal, and it can make the borrowing option a smart one even when it's not a financial win. From a biblical perspective, is it OK to borrow money to get such an education, even if it's a financial loss? Yes, I believe it can be. But that's a good question to ask God and wise Christians who know you.²



While any student can benefit from a Christ-centered education and many students can look forward to greater earning power as a result of earning a college degree, there are some people who are faced with the dilemma of sensing a "call" to a career field that often doesn't pay well but does require an education. Everyone, regardless of career intent, needs to pay close attention to the fundamental principle of integrity with regard to repayment.

INTEGRITY IN REPAYMENT

The psalmist David wrote, "The wicked borrow and do not repay" (Psalm 37:21, NIV). The Apostle Paul wrote in Romans 13:8, "Pay all your debts except the debt of love for others—never finish paying that!" (TLB). Clearly, you should borrow only if you have a well-considered repayment plan, regardless of whether the loan is for college or some other purpose.

Financial aid officers on university campuses often run into students who borrow with no intention of ever paying off their loans. That's one reason that there are now federal laws that make it difficult to get rid of a student loan through bankruptcy. As Christians, we are held to a high standard and must never take on a student loan without purposing to pay in full and on time.

As noted earlier, there are no guarantees that, once you've left college, your income will necessarily be high enough (or that you'll be a disciplined money manager!) to make repayment an

easy proposition. Even so, there are ways that you can calculate repayment scenarios. For instance, College Board.com and finaid.org have loan calculators on their websites.

Having estimated your monthly loan payments, you can then look at an intended career field to get some idea of earnings potential and determine how likely it is that you will encounter difficulty keeping up with loan payments. Some have said you limit your borrowing to a level where your monthly repayment won't exceed ten to fifteen percent of your expected monthly income. (Please note that all lenders offer flexible repayment options to borrowers who encounter difficulties. If you encounter an unexpected challenge, be sure to contact your lender as soon as you realize it.)



IS IT GOD'S WILL?

One more principle must be considered: Is it outside of God's will for you to take a student loan? Romans 14:23 says, "Everything that does not come from faith is sin" (NIV). You should borrow only if you are doing so "in faith." If your conscience tells you that taking a student loan is not honoring to God, don't do it!

James 4:13-15 says:

"Now listen, you who say, 'Today or tomorrow we will go to this or that city, spend a year there, carry on business and make money.' Why, you do not even know what will happen tomorrow. What is your life? You are a mist that appears for a little while and then vanishes. Instead you ought to say, 'If it is the Lord's will, we will live and do this or that'" (NIV).

Is it appropriate to borrow against future earnings? That is a personal decision. It is safe to say that so long as you acknowledge that nothing happens apart from God's will, God's Word does not prohibit this type of borrowing. Seeking the will of God must be your highest priority in each college-related decision, including the question of taking student loans.

ASK THE RIGHT QUESTIONS

Loans, including student loans, are not inherently wrong. If you are committed to acting with integrity and to practicing good stewardship, loans could be legitimate device for paying for college. Be sure to ask the right questions—even though they aren't easy ones—before deciding for yourself.

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¹ Lutes, Chris. (2000, December). What about college loans. *Campus Life*.

² http://www.boundless.org/2000/regulars/money_talks/a0000181.html