

Help Your Pastor and Other Employees Tackle Student Debt

A CHURCH ACTION PLAN

STEP 1

Establish Written Policies for:

- 1. Public Service Loan Forgiveness (PSLF) Assistance
- 2. An Educational Assistance Plan
- 3. A Ministerial Excellence Fund



STEP 2

Talk about student debt assistance

- 1. Tell your pastor(s) and church employees about the student debt assistance programs.
- 2. Help them certify for PSFL and/or the Educational Assistance Plan.
- 3. Encourage them to participate in the COMPASS Initiative programs.

STEP 3

Check in annually about student loan repayments

Remind your pastor(s) and other employees:

- 1. To recertify each year for the PSLF program
- 2. To submit their EAP requests each year

Introduction

When pastors first arrive at a local church, they do not often disclose the amount of student debt they and their family are carrying. For many pastors, regardless of age, student loans consume much of their income and are a major source of stress in the pastor's life.

This is why it is critical that the local church becomes aware of the burden of student loans for pastors, and also establishes written policies for coming alongside their pastor(s) to help them improve their financial well-being.

There are three policies that we encourage local churches to develop:

1. Public Service Loan Forgiveness Assistance
2. An Educational Assistance Plan
3. A Ministerial Excellence Fund



Public Service Loan Forgiveness Assistance

During the COVID-19 pandemic, the U.S. federal government made a few significant changes to the Department of Education’s Public Service Loan Forgiveness program. This program allows individuals with federal Direct Loans to have the remaining balance of their loans forgiven after making 120 qualifying payments while working for a qualifying employer.

Previously, most pastors did not qualify for the PSLF program because of a clause that did not allow pastors to include “time spent on religious instruction, worship services, or any form of proselytizing” in meeting the full-time employment requirement. However, the change made on July 1, 2021 now qualifies such activity to count toward the required 30 hours per week. This makes many more pastors eligible for the PSLF program.

The local church is encouraged to develop a simple policy of talking to their current pastor(s) and incoming pastors about the availability of the PSLF program, and of helping the pastor(s) in completing the PSLF form each year. Someone such as the Church Board Secretary or the Church Treasurer should be assigned the responsibility of talking to the pastor(s)/employees about this and signing their PSLF forms each year, because section 4 of the PSLF must be signed by an authorized official of the church. Their signature verifies that the pastor is an employee of the church.



A sample PSLF policy is included in the Sample Resources section of this document. A sample PSLF certification form, which contains additional instructions, is also included in the Sample Resources section.

Educational Assistance Plan

The Educational Assistance Plan (EAP) is a fringe benefit provided by an employer to its employees, where the employer provides financial assistance to the employee for the employee’s educational expenses. Up to \$5,250 of this assistance may be excluded from the employee’s taxable wages each year.

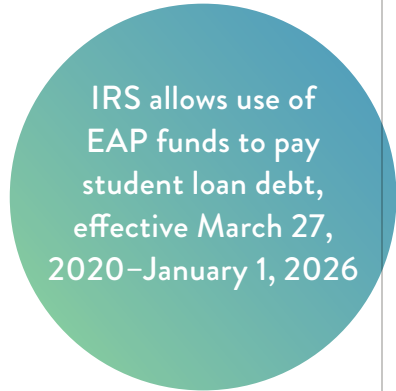
An EAP is a fringe benefit as defined by the IRS Publication 15-B, “Employer’s Tax Guide to Fringe Benefits” (irs.gov/publications/p15b). A sample written policy and a sample EAP request form are provided in the Sample Resources section.

Educational expenses that an IRS-qualified EAP usually covers are the cost of books, equipment, fees, supplies, and tuition. The covered educational expenses do NOT include the cost of tools or supplies (other than textbooks) the employee is allowed to keep at the end of the course. Nor do they include the cost of lodging, meals, or transportation.



The EAP benefit is for the employee’s current educational expenses and the employee must be able to provide substantiation that the educational assistance provided was used for qualifying education expenses.

However, section 2206 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), **temporarily expanded the definition of educational assistance to include the payment of student loans**. This change applies to student loan payments paid after March 27, 2020 and before January 1, 2026. The loan payments must be on the pastor’s/ employee’s loans for their own education (not spouse’s or children’s loans). See the IRS Publication 15-B and chapter 11 of Publication 970 for additional details.



For pastors with student loans, this would allow a pastor to receive up to \$5,250 as tax free income to spend on their student loan payments. This benefit is especially helpful for pastors who do not qualify for PSLF, because this benefit may be used for federal student loans **and** private student loans.

Ministerial Excellence Fund

Local churches are also encouraged to establish a Ministerial Excellence Fund with the purpose of providing financial assistance to the church’s pastor(s) in reducing their personal debt and for increasing the pastor’s retirement savings, thus reducing the financial strain that can hinder a pastor’s ability to serve and lead the local church.

Establishing a Ministerial Excellence Fund is essential when one or more of the church’s pastors participate in the Nazarene COMPASS Initiative financial literacy training programs. Pastors who complete the COMPASS Journey or the COMPASS Quest programs are eligible to receive a matching grant for personal debt reduction or retirement savings.

The COMPASS Initiative will match a local church grant, which is given to the pastor from the local church’s MEF, of up to \$5,000 for completing the COMPASS Journey and up to \$1,000 for completing the COMPASS Quest.

The Ministerial Excellence Fund (MEF) is a designated fund, and the church board (or governing body) must establish a written policy regarding contributions to the MEF and the disbursement of funds from the MEF. A sample policy and a sample MEF request form are included in the Sample Resources section.



Next Steps

After the church has established these written policies, the board should designate someone to share information about these benefits with the current pastor(s) and any new pastors that may arrive in the future.

Information about the Public Service Loan Forgiveness program and the Educational Assistance Plan should also be communicated to other church employees who are not credentialed pastors, as they may also benefit from this program. A sample informational letter to employees is included in the Sample Resources section.

Be sure the designated communicator has a basic understanding of how these benefits work, and is able to assist the pastor/employee with the necessary paperwork. The COMPASS Initiative staff is available to help lay leaders through this process at COMPASS@nazarene.org.

An annual reminder of the programs and available assistance would also be helpful, as the PSLF must be submitted each year to the Department of Education and the EAP funds must be requested by the pastor/employee.

You can make a significant difference in the life of your pastor when you prioritize their financial well-being by establishing these simple written policies to provide financial relief and by assisting them to access these benefits.



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