

TENTMAKERS

Financial Counsel for Pastors, Deacons, and Seminarians

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SHOULD A PASTOR OWN HIS HOME?

Financially, this is probably the most difficult personal question that a pastor is ever likely to ask himself (or his board). The size of the capital investment involved in home ownership is simply enormous. To make this commitment, almost everyone must sign away at least 25 years "of his life," and more likely 30 years. This is almost the entire period of a man's productive years, give or take a decade. (It depends upon how many years he works and how many times he buys a new home.) The typical new home in the United States now costs over \$50,000, and in some regions (California, Houston, Washington, D. C.) it can be as much as \$65,000. These homes are not mansions, either, and the cost keeps going up. As long-term interest rates rise, in response to rising prices, the overall costs of home ownership may outrun the income of most urban pastors who are beginning their careers. If the lending institution will loan (after the down payment) only 2.5 times a man's gross income, the typical young pastor will wind up in rented quarters, or a mobile home, or in a very old, dilapidated house (for which a larger down payment may be required). If he cannot afford the down payment immediately upon graduation from seminary, he may be permanently locked out of the housing markets in coming years.

Several comments are in order. First, churches will have to raise salary levels very rapidly, or else pastors will have to take second jobs. New churches should not be heavily in debt — "indeed, churches, as institutions, should not be in debt at all (Rem 13:8) — and they can hardly afford to pay young pastors very much. This means that pastors will increasingly be compelled to take on outside work, just as Paul did. This will allow them greater independence in preaching, and it also may permit them to buy a home. Second, the sacrifice of pastors will have to increase if congregations are unwilling to increase their sacrifice. Congregations should understand this very early. The young pastor today is starting out with a lot of education, little capital, and no market other than a church ministry for the kind of educational investment he has made. Compared to others his own age, he will be unlikely to earn the income they may be able to earn, meaning monetary income. A rural pastor may do all right, since economic crises will subsidize pastors whose congregations can pay "in kind," meaning produce and services. But urban pastors will be behind from the start.

Can the sabbath-observing pastor today afford to take on the financial responsibility of a home? It is my opinion that

he cannot, unless he adopts the strategy I offer in the next paragraph. Yet it is also my opinion that not many Americans can if they stay within the limits of the sabbatical year principle (let alone the zero-debt principle of Remans 13:8). Who can afford to pay off his home at the end of the sixth year? (Deut. 15:2). Not many people. Of course, it is the willingness of Americans to violate this principle which enables them to pay escalating prices for housing, which is the primary reason that prices are escalating in the "auction" for housing. Everyone is indebting his future on a massive scale. Everyone is scrambling aboard the debt pyramid. And when it collapses, almost everyone may be dumped off the debt pyramid in a wave of bankruptcies.

One possible answer is for a man to take on a 25-year mortgage, but with the understanding in his own heart that he will sell the home towards the end of the sixth year if he cannot afford the balloon payment at the end. He then takes his profit, puts it into gold and silver coins, lives debt-free for the seventh (sabbatical) year, and then repurchases another home. The government allows him 18 months to repurchase a home without having to pay taxes on the profit; meanwhile the gold or silver coins should appreciate sufficiently to allow him to re-enter the housing markets, even in a time of mass inflation. He will then owe capital gains taxes (lower rate) only on the profits made on the coin investment. He has honored the law of Deuteronomy 15:2.

Prior to the 1930's and the advent of Federal insurance for banks and savings and loan companies (that is, prior to guaranteed peacetime inflation), only savings and loan firms, which were few in number, used the mortgage contract which is universal today. For these who could afford a home, the only debt contract available through a bank involved at least a 30% down payment, with an interest-only loan for about five or six years, followed by a balloon payment. This was far closer to the Old Testament's sabbatical year of debt-free living. Modern mortgage loan contracts are unquestionably violations, since they involve long-term commitments that the Bible prohibits.

Given the time limits on debt imposed by the Old Testament, and the prohibition on all debt in the New Testament, except (presumably) in times of emergency (Rem. 13:8), should a pastor borrow to buy a home? I am referring only to a six-year maximum debt position; clearly, anything over this period is prohibited. Is the coming of inflation, controls, and shortages a true emergency period? I would say that it will

be an emergency. and debt **may** be legitimate. though not recommended.

Should the church **buy** the home and let the pastor use it? Is this a better **way** to accomplish the basic goal. **namely**, decent shelter for the pastor? Is it wise for the church to go into debt for six **years**? Or would it be better, biblically. for congregational members to borrow the money personally, **donate** it to the church (getting a tax break). and then repaying for six years (getting another tax break for interest paid). I recommend cash, with member debt as the alternative. The church should not be in debt as an institution; it is a misleading testimony. (The Mormons, **by** the **way**, keep their churches debt- free.)

I offer the following comparative analysis of the question, "Should the pastor **buy** the home. or should the church **buy** the home?" If neither can **afford** to build or **buy**, the pastor should rent, with the church making up the rent and utility bills in the form of a tax-exempt (for the pastor) housing allowance.

Pastor-Owned Home

Benefits

Unique double tax **deduc-**tion for pastors **only**: interest payments out of his pocket. **plus** tax-free "housing allowance" paid to him **by** church.

Greater **personal** freedom: pastor is not **totally** dependent on church. The house **stays** with him if he leaves.

Basic capital asset in times of mass inflation and shortages. It's a savings package. monthly discipline.

Psychologically preferable for wives. **They** can decorate **their** home without sense of investing in another person's (group's) property.

Disadvantages

Heavy personal debt burden. In a time of deflation or reduced church income, his worries increase. This could hurt his ministry.

Property taxes to **pay**. Taxes are **likely** to increase in era of **envy**.

Church-Owned Home

Benefits

Church has good recruiting, device in areas where housing costs are soaring. Important for **young** pastor without a down payment.

Opposite argument: congregation can influence the pastor, at least indirectly. He **may** like free rent.

Basic capital asset for church. It increases the value of church property if church decides to move.

Members **may** be willing to donate time and materials to repair and improve the church's asset, thereby increasing its value.

Disadvantages

Heavy church (member) debt burden. Church (members) borrowed for the work of God's kingdom. Bad testimony in case of a default.

Expenses reduce funds available for **evangelism**, missions, etc.

Should housing market become glutted (**post-**inflation contraction), pastor **may** find it difficult to move if he wants to quit or the church wants to move. This could compromise his work.

Biblical law: worrying about the six-year debt limit.

Local savings institutions **may** not want to loan to church. Even if members put up the **money by** going in debt. the church might get stuck in a glutted housing market. It can't move.

Same problem: six **year** debt limit for members or church institution.

RENT CONTROLS

I am convinced that a decade of price and wage controls is imminent. If so, there will be rent controls. This creates shortages of housing space. A church **may** find itself stuck if it needs a new pastor. Where will he live? This means that a very modest home is a wise investment for a church in the 1980s. The house could be used for other purposes if the new pastor owns his own home and expects to purchase a new one when he arrives — assuming houses are for sale locally under the controls. It could be used as a **Sunday** school room, or a Christian day-school building. or a "halfwayhouse" for troubled people. A good **way** to find a home in some areas is to use the techniques described **by** William Nickerson in his books, or those used **by** his partner, Al Lowry. in his (all published **by** Simon & Schuster: consult **Books in Print**.) Similar techniques are explained in Daniel J. De Benedict is, *The Complete Real Estate Adviser* (Cornerstone Books). Find a "problem" home. solve the problem, fix it up with donated materials and labor. and pay it off within six **years**. The church needs this kind of safety: it needs to be able to recruit men at **any** time.

On the other hand, pastors are also advised to **buy** their own homes. **They** should be making this kind of capital investment. The double tax deduction available to pastors should not be missed. Even if the home must be sold **by** the seventh year, it is still a fine capital investment. If nothing else, a pastor **living** in a rural area (little or no zoning) could afford to **buy** an older mobile home (say \$4,000) and a small parcel of ground. In the **days** ahead, something will **surely** be better than nothing

Gary North

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For my analysis of the effects of price controls on each family's finances, read my book. *How You Can Profit from the Coming Price Controls*. Order from the American Bureau of Economic Research. 713 W. Cornwallis Rd., Suite 3A. Durham. NC 27707:\$10.

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