

Strategies for *Reducing* and *Managing* Church Debt

by Rev. Earl Thorpe, Ph.D., MMBB
Financial Wellness Director

What this article covers:

- Understanding the Impact of Debt
- Five suggestions for managing and reducing debt:
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 - Create a Realistic Budget
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 - Build a Debt Reduction Culture
 - Avoid Common Pitfalls

Every church carries a God-given vision—one meant to transform lives, strengthen communities, and shine light in places of need. Yet even the most faithful ministries can find their momentum to serve slowed down by the weight of financial obligations. Churches carry debt for multiple reasons such as building renovations or expansion or essential

upgrades for media and audio needs. In an economic climate where interest rates are high, some places of worship struggle with rising mortgage costs.

We've all heard of congregations that have floundered under financial strain, yet many churches that have incurred strategic, moderate debt have flourished. The problem arises when debt becomes excessive.

Understanding the Impact of Debt

Church debt affects far more than the balance sheet—it shapes ministry effectiveness, long term planning, and relationships within the congregation.

When too much money is tied up in loan payments:

- operating resources are drained
- programs must be scaled back
- staff feel overwhelmed and may experience low morale
- the church's overall mission may stall
- transparency may become more challenging, leading to erosion of trust among members

Debt management, then, is not merely a financial obligation; it is a spiritual responsibility. Churches are called to steward their resources wisely, so their ministries are not hindered by unnecessary financial burdens. While debt can feel daunting, it does not have to define a

church's future. Congregations have discovered that with prayerful intention, wise stewardship, and unified commitment, they can rise above financial challenges. Here are suggestions for reducing church debt.

Assess and Communicate

The first step toward reducing debt is a full audit. Churches should gather clear information on all outstanding liabilities—mortgages, loans, interest rates, and projected payoff timelines. Once this assessment is complete, leaders should communicate their findings transparently to both the church board and the congregation. When members understand the church's financial position, they are more willing to rally behind solutions. Presenting a shared vision for debt freedom can unify the church and provide renewed motivation for giving, planning, and participation. Transparency builds confidence, and confidence fuels progress.

Create a Realistic Budget

A practical, ministry aligned budget is essential. Start by prioritizing debt repayment while ensuring that core ministries remain adequately supported. Review all expenses and distinguish between essential and non-essential spending. Cut costs where possible—small changes across multiple areas can free funds for debt reduction.

While some churches use tracking tools as simple as spreadsheets, many churches use church accounting software, such as QuickBooks for Nonprofits, Aplos, Realm and others to help monitor progress. When it comes to repayment strategies, consider the **Debt Snowball Method**—paying off the smallest balance first to build momentum—or the **Debt Avalanche Method**, which targets the highest interest debt to minimize long-term costs. The key is consistency and discipline.

Explore Income Boosting Options

In addition to cutting costs, increasing income can accelerate debt repayment. Churches can explore creative revenue streams such as:

- renting out facilities for community events
- running targeted fundraising campaigns
- incorporating periodic special offerings

Some congregations benefit from bi-vocational pastoral roles to save on staffing costs. Stewardship education is critical—teaching congregants the importance of generous, consistent giving fosters long-term financial stability.

Build a Debt Reduction Culture

Becoming a debt free church requires more than numbers—it requires culture change. Leaders can establish designated giving channels such as a "Freedom Fund," earmarked strictly for extra principal payments. Visual charts, digital dashboards, or announcement updates help the congregation see tangible progress. Celebrate milestones with the congregation, whether paying off a loan early or reducing principal by a notable amount. Every celebration reinforces unity and keeps momentum strong.

Avoid Common Pitfalls

Avoid using debt to cover operational shortfalls; doing so compounds financial strain. Maintain an emergency reserve that can pay at least 10 percent of your operating costs to prevent new borrowing during unforeseen circumstances. Once you've reached this savings goal, aim to build your emergency fund to cover three to six months of operating costs. And keep communication open—ongoing transparency strengthens trust and helps prevent financial surprises.

The Final Word

Debt reduction is achievable with thoughtful planning, consistent action, and faith driven stewardship. By understanding the impact of debt, communicating clearly, budgeting wisely, and cultivating a culture committed to financial freedom, a church can move toward a healthier future. Begin today with a debt audit and set clear, measurable goals—your congregation and ministry will reap the benefits.

The Rev. Earl Thorpe, Ph.D., serves as the Financial Wellness Program Director at MMBB. Before joining MMBB, Earl spent nearly 20 years on Wall Street, where he provided equity sales, research coverage, market-making, and execution trading to top hedge, mutual, and pension funds. Earl is also the pastor of the Church-in-the-Garden, First Baptist, a multicultural American Baptist Church located in Garden City, NY.



Rev. Earl Thorpe, Ph.D.

MMBB Financial
Wellness Director