



## OUTLINE

- Scripture teaching about debt.
- The rise of consumer finance.
- Evaluating consumer debt by Biblical standards.
- The root issues.
- To Be Continued ...

## Lending to "a brother" & co-signing notes

- Old Testament obligation to share resources with other Jews
  - Lending is charitable act of the wealthy
  - Borrowing is a desperate act of the poor
  - Leviticus 25:35 "If your brother becomes poor and cannot maintain himself with you, you shall support him as though he were a stranger and a sojourner, and he shall live with you."
- Limits on debts & lending: Interest Prohibited
  - "Do not take interest of any kind\*\* from him, but fear your God, so that your countryman may continue to live among you." (Lev 25:36) \*\* or 'usury' = *excessive interest*
  - NOTE: Gentiles are fair game.
- Limits on debts & lending: Year of Jubilee.
  - Debt = strong power over the debtor = "bondage"
  - What is a "bond slave" vs. a lifetime "slave"?
  - God's Plan for Society: debt is temporary (Jubilee)
- Stark fear of co-signatures
  - "He who puts up security for another will surely suffer, but whoever refuses to strike hands in pledge is safe." (Prov 11:15)
  - Give power to the Lender and to the Primary Borrower
  - You don't control your own fate. "A debt is a bet." What happens if you lose?

## Does Scripture Prohibit Debt?

- "Owe no one anything, except to love each other, for the one who loves another has fulfilled the law." Rom 13:8
- Manageable obligations vs. overwhelming.
  - "Suppose one of you wants to build a tower. Will he not first sit down and estimate the cost to see if he has enough money to complete it? For if he lays the foundation and is not able to finish it, everyone who sees it will ridicule him, saying, 'This fellow began to build and was not able to finish.'" Luke 14:28 – 30.
- Any loan **motivated by materialism** or lust after the things of this world would not get the Bible's approval. "For the love of money is the root of all evil: which while some coveted after, they have erred from the faith, and pierced themselves through with many sorrows." 1 Tim 6:10



- *On the other hand*, business loans (mortgages) are not discussed in Scripture. (Banking had not been invented yet.)

### **Conclusions from Scripture:**

- Lending is not a profit opportunity. It is an *obligation* of the fortunate to the less fortunate “brother.”
- The lender has power over the borrower. “Power corrupts, and ...” Scripture placed moral restraints on the use (or prohibits abuse) of that power.
- A borrower is in bondage. Don’t Take Bondage Lightly. Escape. Quickly!
- Christians not prohibited from all debt.
- Other principles of Scripture guide our borrowing & lending.

### **How Can a “Christian Society” Have A Banking Industry?**

- In New Testament times, who did the lending? What was the closest thing to “banking” described in the N.T.? Did Jesus ever discuss “usury”?
- Debate persisted about morality of charging interest. Origins of Jewish stronghold in European banking – both Christians and Jews read Leviticus the same way!!
- Rise of a middle class. Entrepreneurs!

### **Evolution of Banking**

- Lending institutions first appeared as “commercial banks.” Businessmen or tradesmen borrowed funds to acquire the means of producing an income stream; a portion of the income stream was used to repay the debt *with interest*. Lending for commerce was not viewed as “lending a cloak to a brother” but as a business transaction.
- Commercial banking became a vital ingredient of economic development. Economic theory concluded that interest rates were a market price, and a banking industry allowed the efficient allocation of capital among competing industries and businesses. That belief is even stronger today!
- Consumer lending arose as one thing led to another:

### **... one thing led to another**

- Land as a key resource for income production. Landlords borrow against the stream of rents.
- Home ownership is borrowing against the elimination of a stream of rents.
- Auto becomes “essential” to holding a job.
- Finally, abandon all connection between the income stream (your wages) and the purpose for the loan (a vacation). And the ultimate: automatic loans to buy dinner – the credit card!
- Economists: Consumer loans accelerate consumption, thus stimulate the economy.
- Why is the American financial industry so dedicated to providing such a rich variety of products for consumer finance? (The Business Principle!)



## Survey of consumer debt instruments (Story of a Young Couple)

A young man, call him Jim, becomes seriously enamored of a young lady, Julie. He needs to show her he is a mature, wise man ready for dating & marriage. He needs a car. So he takes his meager savings to the used car lot & buys some cool looking wheels. He has a job, so he is accepted for the auto loan that goes with it. Jim successfully woos Julie (the car must have helped) and they get married. After living in an apartment for 8 months, they find a house they think they can afford. The realtor & bank help them out with “creative financing” – small down payment, low payments for the first 2 years, then rising payments in subsequent years.

A couple years later a baby arrives, who has *lots* of needs. Their bank gives them a signature loan to buy baby paraphernalia. The rate is a little higher on a signature loan, but ... the bank turned down baby as collateral. By the time their 2 children are in grade school, the costs of clothes, food, sneakers, pre-school tuition, bigger beds for bigger kids, toys, bikes, summer camps .... Well, their credit cards are maxed out – all 6 of them. Fortunately, again their bank offers to help. A Debt Consolidation Loan, secured by their home equity, pays off all their credit cards and gives them just one monthly payment. That frees up the credit cards *just in time*, ‘cuz the kids need some things, and the Refund Anticipation Loan didn’t go far enough ... You probably know the rest of the story.

### Biblical criteria:

- What was the **purpose** of the loan?
- How much “**bondage**” is produced by the loan?
  - How heavy the monthly burden: % of disposable income
  - How long the commitment? 6 months? 30 years?

### Biblical criteria:

- Is the debt an **unwise** business decision? “A fool and his money are soon parted.” Jesus said “Be wise as serpents and harmless as doves.”
- Risks assumed & consequences of “losing the bet”
- The Esau Principle: Don’t Sell Your Birthright!

### Evaluating Jim & Julie’s Debt

- The Refund Anticipation Loan pretty clearly is not a wise business decision. We can almost certainly say it is “un-Biblical.”
  - **RAL Article.**
- A 15-year, fixed-rate, 80% mortgage on a modest dwelling is the easiest to justify on Biblical grounds. It is an “investment,” the costs are *relatively* lower, and the length of bondage is shorter.
  - **Percentage Guide** says mortgage is not too high.



- Audience input: **Are the other loans good or bad? How would we evaluate them?**
- **What about that student loan?** Both subsidized and un-subsidized student loans are offered (subsidized is need-based). Federal loans; 5% to 6.8% interest. Subsidized loans *do not accrue interest* until graduation. “Good debt”? Maybe, but too much of a good thing can put you in bondage.
  - **Student Loan Article.**
- We can say 1 thing with certainty: the sense of bondage that comes from overwhelming debt is *not* what God desires for us. *Any* debt that will create — or *risk* — bondage is un-Biblical. It is sin.

### Freedom Takes Wisdom

- **Handout #2 – Rate Chart**
- Assuming that bondage is *not* an issue, then debt *might* be OK. In that case, let’s apply the pragmatic “fool & his money” rule to these types of debt:
  - Auto Loans. 0.0% financing is sometimes a good deal, and sometimes not.
  - Mortgages: Steve Carter said it well. One of the most profitable investments you can make is shortening the length of your mortgage. **(Does this require re-financing?)** Often, the most expensive mortgage is the one with the lowest *initial* monthly payment. The Esau Rule!
    - **Article** about “exotic loans.”

### Freedom Takes Wisdom

- Credit Cards: The stupidest mortgage in the world is cheaper than a credit card with an unpaid balance. The latest ploy: banks can increase your rate — perhaps *double* it — without your permission. All they need is some sign that your risk of default has increased. Or a single late payment.

### Article about credit card rates & hidden fees.

- In 2006, American households owe \$12 *trillion* in consumer debt – above and beyond primary mortgages. That is *twice as much* as 10 years ago.
- Growing slice of household debt is Home Equity Loans
- Bankers *hate* “smart cards.”

### The Root Issue for Debt: Spiritual and Financial Discipline

- Debt is not wrong or un-Scriptural *per se*. But when we get into debt trouble, it almost always results from a *spiritual problem*. I know, ‘cuz I’ve been guilty of it many times in my life.
- It is all well & good to discuss the relative merits of various forms of debt. For the financially healthy and sophisticated, it is an interesting and profitable topic. But for anyone in *bondage* to debt, the solution is not picking out better debt



instruments, or re-financing, or consolidating, or re-structuring, ... The solution is *debt elimination*. And that is not a financial exercise; it is a spiritual battle.

**“Debt elimination is not a financial exercise; it is a spiritual battle.”**

**Definition:**

- Debt happens when we consistently spend more than we earn.
- Question: why do we think we *can* buy something if we don't have the money in hand to pay for it?
- **Survey:** “Why in debt?” Answer: we “need” or we “have to have” or we “deserve” something. Says who?
  - Who set the “minimum standards” for our lifestyle? We all need food, shelter, sturdy walking shoes, 2 changes of clothing & a Bible. I guarantee that no one with a \$6,000 unpaid balance on their Visa card ran up that bill buying only the bare necessities.
  - Who tells us how expensive a car we “deserve”? Who tells us how big a house we “need”? Or how desirable a neighborhood? Who tells us “you deserve a break today”? (The Business Principle)

**Why is the love of money the root of all evil? Because love of money is based on the falsehood that our happiness comes from material things.**

- Scripture tells us a million different ways that is not true. At noon on Sundays, we know this. By Monday morning, many of us forget.

**The cure for debt bondage** is not short-term, and it is not financial. It is longterm & spiritual.

- Understand where true happiness comes from.
- Value financial sanity more than instant gratification, status, or convenience.
- If we can't control our spending, we must name it what it is — compulsive over-spending — and seek treatment for our disease.

**There is help**

- Debtors Anonymous
  - <http://www.debtorsanonymous.org/>
  - 1-877-717-DEBT
- Overcomers Support Group
  - Tenth Presbyterian Church, Thursday at 7:00pm
- Deacons' Financial Counseling

**Deacons' Financial Counseling**

- [jroberts843@earthlink.com](mailto:jroberts843@earthlink.com) = Contact Point for Deacons
- Describe your situation:
  - Parish & Location



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- Age & Marital Status
- Contact info & schedule constraints
- Any details re: the financial issues
- You *will* receive help.

**November 19 class** — Part 2 of Debt Lectures

- How to Identify a Debt Problem
- Four Step Program to Recover from Excessive Debt
- Strategies for Debt-Free Living