

Session 4

# **God's Perspective on Debt**



## OBJECTIVE OF THIS SESSION

To obtain a greater understanding of what God's Word says with respect to debt.

## KEY BIBLICAL PRINCIPLE

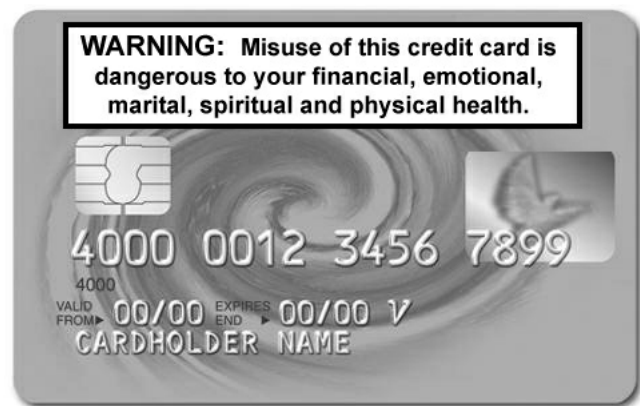
God discourages debt and warns of the dangers of debt.

## OVERVIEW OF GOD'S WISDOM ON DEBT

### If you borrow money, God says you must pay it back

Psalm 37:21 states, "The wicked borrow and do not repay, but the righteous give generously."

It is not a sin to borrow, but it is a sin to borrow and not repay. The implication in this verse is that the righteous person not only repays all debts, but goes the "second mile" and gives generously.



### If you borrow money you may become a servant to the lender

In Proverbs 22:7 we read, "The rich rule over the poor, and the borrower is servant to the lender."

When you borrow money, you are legally committing yourself to service the debt for the term of the loan. If you fail for any reason, then significant negative consequences could arise, such as the repossession of your automobile or foreclosure on your home. With so much credit readily available today, it is very easy to become "a servant to the lender," which, of course, is not God's will as we are here on earth to serve God and not a lender.



### Borrowing Presumes On the Future

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.'"

When you borrow money, you are *presuming* that you will have sufficient cash flow in the future in order to service the debt. Since you do not know the future, there is always a risk that you will be unable to make your payments and experience financial difficulty and the related stress.

Proverbs 27:1 states, “Do not boast about tomorrow, for you do not know what a day may bring forth.”

Because only God knows the future, it is absolutely critical that we spend quality time with the Lord in prayer, listening to God's voice (John 10:27) in order to determine if it is God's will for us to borrow money. God has promised that he will direct us (Psalm 32:8), and sometimes he speaks via a gentle whisper (1 Kings 19).

### **God promises to meet our needs**

In Matthew 6:31–33 Jesus Christ said, “So do not worry, saying, ‘What shall we eat?’ or ‘What shall we drink?’ or ‘What shall we wear?’ For the pagans run after all these things, and your heavenly Father knows that you need them. But seek first his kingdom and his righteousness, and all these things will be given to you as well.”

Philippians 4:19 states, “And my God will meet all your needs according to his glorious riches in Christ Jesus.”

God has promised to meet our needs when we put him first, and God does not need the bank in order to accomplish this. Nowhere in the Bible did God ever direct anyone to borrow money in order for God to bless him or her. Because God is all powerful, all knowing, and present everywhere, when God decides to bless somebody, he does it using his own resources. In short, God does not need a bank in order to accomplish his will.

### **God promised the people of Israel that if they fully obeyed him they would be lenders and not borrowers**

In Deuteronomy we read,

*If you fully obey the LORD your God and carefully follow all his commands I give you today, the LORD your God will set you high above all the nations on earth. All these blessings will come upon you and accompany you if you obey the LORD your God: You will be blessed in the city and blessed in the country. The fruit of your womb will be blessed, and the crops of your land and the young of your livestock.... The LORD will send a blessing on your barns and on everything you put your hand to.... The LORD will open the heavens, the storehouse of his bounty, to send rain on your land in season and to bless all the work of your hands. You will lend to many nations but will borrow from none....*

However, *if you do not obey the LORD your God and do not carefully follow all his commands and decrees I am giving you today, all these curses will come upon you and*

overtake you: You will be cursed in the city and cursed in the country. Your basket and your kneading trough will be cursed. The fruit of your womb will be cursed, and the crops of your land, and the calves of your herds and the lambs of your flocks....

The alien who lives among you will rise above you higher and higher, but you will sink lower and lower. *He will lend to you, but you will not lend to him.* (Deuteronomy 28:1–4, 8, 12, 15–18, 43, 44, emphasis added)

God clearly communicated to his people, that *if they fully obeyed him* and followed all of his ways, then he would bless them so much that they would have a surplus and thus be lenders, *not* borrowers.

### **All references in the Bible to borrowing are negative**

Although it is not a sin to borrow, clearly, God discourages the use of debt. This is very different from the world's perspective of “buy now and pay later” or “smart people use other people's money.”

In scripture, God met needs without the assistance of a lender. Here are a few examples:

- Food (manna) and water were provided to the Israelites during the 40 years in the desert (Exodus 16:35).
- Jesus fed the 5,000 with five loaves of bread and two fish (Mark 6:39–44)—and there were even 12 baskets of food left over.
- God used ravens to feed Elijah (1 Kings 17:4–6).
- Working through Elijah, God provided flour and oil to the widow and her son during the famine (1 Kings 17:13–16).

King David said, “I was young and now I am old, yet I have never seen the righteous forsaken or their children begging bread” (Psalm 37:25).

Before you borrow any money, I would really encourage you to spend quality time with the Lord in prayer, asking God to meet that need, and then wait for God's provision (Psalm 37:7).

In short, God can meet your needs without debt.

Let them give thanks to the LORD for his unfailing love and his wonderful deeds for men, for he satisfies the thirsty and fills the hungry with good things. (Psalm 107:8, 9)

Here are some common real-life



examples. Unfortunately, there are many more people who fall into the category of “Mr. Unwise” than “Mr. Wise.”

#### Mr. Wise

- is in the habit of saving for future needs
- generally buys only what he needs
- saved for education costs and completes college or university with little or no debt
- drives a used car with no debt
- saves a significant down payment for a home and pays down the mortgage ASAP
- buys furniture (sometimes used) for cash
- lives within a budget
- uses a credit card carefully, pays off each month and incurs no interest charges

#### Mr. Unwise

- generally never saves, rather borrows and buys
- makes financial decisions based upon personal desires or gut feel, not needs
- completes post-secondary education with a lot of debt
- finances the purchase of a new car every three to four years
- buys a home with very little down payment and takes on a big mortgage
- furnishes his home with debt
- has no budget
- generally runs a balance on his credit cards

### SUMMARY

The world believes that it is appropriate to “buy now and pay later” or that “smart people use other people’s money.” This is contrary to God’s Word. God’s perspective is that smart people use as little debt as possible and pay it off as quickly as possible.

#### Diagrammatic Summary

<b>Biblical perspective</b>	<b>Worldly perspective</b>
<b>Uses minimum debt or no debt</b>	<b>Uses debt freely</b>

### MEMORY VERSES

*The rich rule over the poor, and the borrower is servant to the lender. (Proverbs 22:7)*

*And my God will meet all your needs according to his glorious riches in Christ Jesus. (Philippians 4:19)*

## COSIGNING

A topic related to debt is cosigning. Most Christians are not aware that God's Word strongly advises against cosigning. The terminology used for cosigning in the book of Proverbs is to "strike hands in pledge." At the time the book of Proverbs was written, people did not use lengthy legal documents for their agreements; a handshake was sufficient. "To strike hands in pledge" meant to shake hands confirming your pledge to pay a financial obligation.

God warns that if you "strike hands in pledge" or cosign for a debt, something very negative could happen to you. Proverbs 22:26, 27 states, "Do not be a man who strikes hands in pledge or puts up security for debts; *if you lack the means to pay, your very bed will be snatched from under you*" (emphasis added). I believe that an appropriate contemporary analogy to having "your bed snatched out from under you" would be to lose something valuable to you, such as your home or part of your retirement fund.

God's Word in regard to cosigning is a principle, not a law. It is not a sin to cosign, but God warns that if you do cosign, you may suffer negative consequences. Proverbs 17:18 is very clear regarding risks of cosigning: "A man lacking judgment strikes hands in pledge and puts up security for his neighbor."

## PRACTICAL QUESTIONS TO ASK YOURSELF BEFORE BORROWING

If you are contemplating borrowing some money, you may want to work through the eight questions below. If not, it is helpful to read them so that you have an understanding of some of the biblical prerequisites that should be met before borrowing. Use this as a checklist.

1. Do you have a plan (i.e., a budget) to ensure that you can afford the loan payments? (Luke 14:28–30) Be sure to include in your budget all costs (including repairs and maintenance, insurance, etc. as applicable) with regard to the item you plan to purchase. It is critical to prepare your budget before you make the commitment to buy and borrow, to ensure in advance that indeed you can afford the loan payment.

2. Do you understand that it is your responsibility to ensure that you repay the entire loan (Psalm 37:21) and make all payments on time? What kind of a "light into a world of darkness" is a Christian who does not pay debts on time? "In the same way, let your light shine before men, that they may see your good deeds and praise your Father in heaven." (Matthew 5:16)

3. Have you prayed for a reasonable period and given God a chance to provide the cash in a manner that is glorifying to him? Many people buy things hastily because the credit is readily available, and they miss out on God's unique provision. God has promised to meet our needs. "And my God will meet all your needs according to his glorious riches in Christ Jesus." (Philippians 4:19)

4. Have you given God a chance to provide it at a lower cost or perhaps another alternative?

5. Have you considered that maybe God just does not want you to have it? "Then Jesus

said to his disciples, 'If anyone would come after me, he must deny himself and take up his cross and follow me. For whoever wants to save his life will lose it, but whoever loses his life for me will find it.'" (Matthew 16:24, 25)

6. Is the item that you plan to purchase really a necessity? Can you do without it? God has promised to meet our needs (Matthew 6:31–33) but not necessarily our wants and desires. Sometimes he will bless us with things we don't really need, but we need to really make sure that that is God's will for us.

7. Have you and your spouse prayed sincerely for God's direction (regardless of whether the answer is yes or no), and if so, do *both of you* (Genesis 2:24 "one flesh") have God's peace that he wants you to borrow the money and purchase the related item (John 14:26–27)?

8. Last, and perhaps the most important question, is this: Have you spent sufficient time in prayer with the Lord, seeking God's specific direction for your life with regard to any important financial decision?

God has promised to direct us (Psalm 32:8) and to speak to us (John 10:27). Sometimes God speaks via a gentle whisper (1 Kings 19:11–13). Some people find a spiritual journal to be helpful, recording prayer requests in one colour and using another colour for what they sense God is saying to them. Look for consistency over a few months before concluding what you have heard from the Lord.

God has a plan for all of his children, including a plan with respect to major financial decisions such as borrowing.

"For I know the plans I have for you," declares the LORD, "plans to prosper you and not to harm you, plans to give you hope and a future. Then you will call upon me and come and pray to me, and I will listen to you. You will seek me and find me when you seek me with all your heart. I will be found by you," declares the LORD. (Jeremiah 29:11–14)

Therefore, it is at the *planning stage* that God will frequently direct us, if we take the time to seek his will and listen to his voice for major financial decisions. Receiving God's specific direction before we make any major financial decision can save us a lot of financial problems later. Spend quality time with the Lord in the planning stage to ensure that you are following God's will for your life, *before* you make the commitment to borrow money.

If you can sincerely say yes to all eight questions above, then it is likely God's will for you to borrow the money. As will be explained in more detail in the next session, you would then be wise to pay the debt off as quickly as possible.

## CASE STUDIES, RELATED QUESTIONS, AND SUGGESTED SOLUTIONS

### Case Study #1

Harold and Rita are Christians who have always earned typical middle-class incomes. Several years ago, they declared bankruptcy. At that time, they felt that declaring bankruptcy would

solve their financial problems, as it eliminated all their debts. However, a few years after their bankruptcy, they were issued credit cards. In addition, when they felt that they needed a new car, they were pleasantly surprised to learn that the manufacturer would provide them with an interest-free loan. They believed this was a good deal and went ahead with the purchase. Several months later, they purchased a second new automobile with an interest-free loan.

Over the next couple of years, the balances on their credit cards gradually increased. The minimum payments became unmanageable, and they both felt stressed. The two car loans, the minimum monthly credit card payments, as well as a large mortgage payment were more than they could handle. The debts were increasing every month. After the birth of their second child, Rita had planned to stay home with the children; however, they concluded that this was impossible because of their financial obligations.

Harold felt that he could solve the problem by taking a part-time job in addition to his full-time job. Although this did provide some relief, within one year, they again discovered that their debts were increasing each month and that they were unable to make all their monthly payments on time. Nasty calls from creditors and banks became commonplace. One company was threatening to garnishee their wages. With all the pressure, Harold and Rita found that they were arguing with each other almost daily over money-related problems. Their relationship had deteriorated to the point that there was a risk that they would get divorced.

### **Questions**

1. Have Harold and Rita adopted a biblical perspective or a worldly perspective on debt? Please explain your answer.

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- ◆ **Harold and Rita have adopted a worldly perspective on debt. First, they declared bankruptcy in order to eliminate their debts (Psalm 37:21). Second, they have borrowed heavily for two new automobiles and they are using credit cards irresponsibly. Clearly, they have borrowed more than they can afford to pay back (Romans 13:8). They have presumed (James 4:13–15) that they will be able to make the loan payments, without having prepared a budget beforehand (Luke 14:28–30).**



Do you think their situation is common?

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- ◆ **Yes, the majority of North Americans often spend more than they earn, just like Harold and Rita.**

2. Have Rita and Harold experienced the truth of Proverbs 22:7, which states, “The rich rule over the poor, *and the borrower is servant to the lender.*” Please explain your answer.

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- ◆ **Yes, Rita had planned to stay at home with their two children; however, this is not practical, as she must work full-time in order to service their debt load. When an individual or couple borrows money, it limits their future options. Rita does not have the option of staying home with her children, as she must work full-time and serve the lender's debt.**

3. Several years ago, when they went bankrupt, they thought that bankruptcy would solve their financial problems. Please comment on the effectiveness of that action.

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- ◆ **Declaring bankruptcy treated the symptom (i.e., eliminated their debts) while the true practical financial problem was that they were spending more than they were earning. They continued with this worldly habit after their bankruptcy, and as a result they have ended up with significant debt and the same financial problems.**

4. What do you believe their real underlying problems are?

- ◆ I believe that their real underlying problems are spiritual in nature. Harold and Rita have not made a commitment (Proverbs 16:3) to manage the money that God has entrusted to them according to God's principles and God's will (Luke 22:42). For example, they have not learned and implemented God's financial principles; rather, they are operating on worldly financial principles. In short, they are violating God's financial principles and therefore suffering the consequences.

5. What biblical principles have they violated? Provide a reference to scripture.

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- ◆ Harold and Rita have taken on too much debt (Proverbs 22:7).
- ◆ They're not trusting God to meet their needs (Matthew 6:31–33).
- ◆ There is a lack of contentment as demonstrated by the fact that they have borrowed more than they can afford to repay (Hebrews 13:5).
- ◆ They are not seeking God's counsel (2 Chronicles 18:4).
- ◆ They went bankrupt and did not repay their debt (Psalm 37:21).
- ◆ They have not developed and implemented a budget (Luke 14:28–30).
- ◆ They are not waiting upon the Lord to provide (Psalm 37:7).
- ◆ They are presuming on the future with their borrowings (James 4:13–15).
- ◆ They are selfish (Philippians 2:3, 4) as they borrow and buy without considering the consequences to the lender if they are not able to repay.

6. Assuming that you were their financial counsellor, what biblically based advice would you give them? Please try to include a reference to scripture for each recommendation.

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- ◆ Learn and implement God's financial principles (Romans 12:1, 2).
- ◆ Put God first, and trust God (not the lenders) to meet your needs (Matthew 6:31–33).
- ◆ Learn to be content with God's provision (Philippians 4:11–13).
- ◆ Develop and implement a budget (Luke 14:28–30; Proverbs 27:23).
- ◆ Ensure that they spend less than they earn each month and use the surplus to pay down debt and save for future needs (Proverbs 21:20).
- ◆ Give the first 10 percent of their income to God's work (Proverbs 3:9, 10).
- ◆ Before making any major financial decision, spend quality time with the Lord, listening to his voice (John 10:27) and seeking his will (Psalm 32:8).

7. Discuss the relevance and application of the following verses with regard to Harold and Rita's situation. Write your comments below each verse.

*The wicked borrow and do not repay, but the righteous give generously. (Psalm 37:21)*

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- ◆ Harold and Rita committed a sin when they went bankrupt.

*If we confess our sins, he is faithful and just and will forgive us our sins and purify us from all unrighteousness. (1 John 1:9)*

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- ◆ Harold and Rita need to confess to the Lord their sin of declaring bankruptcy, and God will forgive them. By confessing the sin of bankruptcy, they are agreeing with God that it is wrong and that therefore they must manage money God's way in the future. This, in turn, will restore their relationship with God.

*By **wisdom** a house is built and through **understanding** it is established; through **knowledge** its rooms are filled with rare and beautiful treasures. (Proverbs 24:3, 4, emphasis added)*

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- ◆ **Harold and Rita need to learn God's wisdom and seek understanding and knowledge from God in managing money. To date, they have been managing money according to the world's financial wisdom—hence, the reason for their financial problems.**

*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)*

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- ◆ **Harold and Rita have been foolish, as they have not planned ahead with regard to their finances. For example, they have not developed and implemented a budget and thus their spending has been greater than their income and they have accumulated debt. Harold and Rita need to develop and implement a budget to ensure that they spend less than they earn on a monthly basis and then use the surplus to pay down debt and save for future needs.**

*Commit to the Lord whatever you do and your plans will succeed. (Proverbs 16:3)*

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- ◆ **Harold and Rita need to commit to managing money God's way, according to God's principles and God's will, not worldly principles and not their own personal desires.**

### **Case Study #2**

Mike and Sharon are Christians. Over several years, they accumulated significant debt on their credit cards. With interest rates of 18 percent to 28 percent, they felt that they could solve their problem by restructuring their debt. So they obtained a personal line of credit from their bank at a much lower interest rate and used the funds to pay off the credit cards. In addition, "in order to play safe," at their bank's direction, they set the limit on this personal line of credit at an amount that was greater than their total credit card liabilities. Therefore, if at some point in the future they needed additional funds, money would be available through this personal line of credit.

For a while, they believed that they had solved their financial problems. However, over the next

few years, the balance on their personal line of credit gradually increased to its limit. So again they sat down with their banker. Fortunately, their home had gone up in value over the past few years and thus the banker was very willing to give them a second mortgage on their home, so that they could pay down their personal line of credit. The second mortgage lowered their monthly payments, but it also spread out the payments for their debt over a longer period of time.

Over the next several years, the balances owing on their credit cards and personal line of credit again gradually increased. Because their home had decreased in value during this period, the bank would not lend them any more money. As a result, they were forced to withdraw money from their retirement fund, which resulted in two new problems: first, a tax liability because of the retirement fund withdrawals, and second, a significant concern that they would not have sufficient funds for retirement.

### **Questions**

1. Did the restructuring of Mike and Sharon's debt (vis-à-vis the personal line of credit and second mortgage) solve their financial problems? Please explain.

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- ◆ **The debt restructuring did not solve their personal financial problems because the overspending continued after the debt restructuring, and they ended up with even more debt.**

2. Was the debt restructuring treating the symptom or the problem?

- ◆ **The debt restructuring was treating the symptom and not the real problem(s).**

3. In your view, what is the real underlying problem(s)? Please provide a reference to scripture.

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- ◆ The real underlying problem for Mike and Sharon is that they have violated many biblical financial principles. In a sense, their problem is spiritual in nature. Some of the biblical principles that they have violated are as follows:
  - Their lack of contentment is demonstrated by the fact that over many years they were spending more than they were earning (1 Timothy 6:6–8).
  - They did not develop and implement a budget (Luke 14:28–30).
  - They took on too much debt (Proverbs 22:7).
  - There was an unwillingness to sacrifice as needed (Luke 9:23).
  - They did not know their financial status (Proverbs 27:23).
  - They were not diligent in planning their finances, especially with respect to assuming debt (Proverbs 21:5).
  - They did not foresee future financial problems, even after they restructured their debt a second time (Proverbs 22:3).

4. Initially, was it wrong for them to get a personal line of credit? What benefit did the personal line of credit provide?

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- ◆ No, it was not wrong to do that. The personal line of credit did lower their interest costs and reduce their monthly payments.

5. What course of action do you believe Mike and Sharon should take to get their finances in order? Note there are several things that they should do. Please provide references to scripture.

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- ◆ Most importantly, Mike and Sharon need to learn and implement God's financial principles (James 1:22). For example, they would be well advised to participate in a

small-group biblical financial study and read some good books that explain God's financial principles.

- ◆ Develop and implement a budget to ensure that they are spending less than their income, and use the surplus to pay down debt (Luke 14:28–30).
- ◆ Meditate on scriptures related to their problem areas (Joshua 1:8).
- ◆ Learn to be content with their level of income (Philippians 4:11–13).
- ◆ Save some money for unexpected expenditures (Proverbs 21:20).
- ◆ Seek godly financial advice—first from God himself (1 Kings 5:22), second from God's Word (Psalm 119:24), and third from a godly financial adviser (1 Corinthians 2:14, 15).
- ◆ Because credit cards create a temptation for Mike and Sharon to spend more than they are earning, they should perform “plastic surgery” on their credit cards by cutting them up (1 Corinthians 10:13).

6. What do you think would be the consequences if one spouse were out of work for some time?

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- ◆ **Disastrous.** Because they have no savings and are generally spending more than they earn, their monthly cash flow deficit would increase substantially and their debt would accumulate much faster. The resulting financial stress would negatively affect their marriage relationship.

7. Discuss the relevance and application of the following verses with regard to Mike and Sharon's situation. Write your comments below each verse.

*Be sure you know the condition of your flocks, give careful attention to your herds. (Proverbs 27:23)*

Remember, at the time that this verse was written, most people were farmers. This should give you some insight into its application to Mike and Sharon's situation.

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- ◆ Mike and Sharon need to record their expenses, revenues, assets, and liabilities so that they have a clear understanding of their finances. They have been spending more than their income, which has resulted in significant debt and financial problems. In short, they need to develop and implement a budget.

*Blessed is the man who does not walk in the counsel of the wicked or stand in the way of sinners or sit in the seat of mockers. But his delight is in the law of the LORD, and on his law he meditates day and night. He is like a tree planted by streams of water, which yields its fruit in season and whose leaf does not wither. Whatever he does prospers. (Psalm 1:1–3)*

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- ◆ Mike and Sharon accepted the bank’s ungodly financial counsel to obtain a personal line of credit that was greater than what they needed at the time. This allowed them to accumulate more debt than they otherwise would have. Therefore, Mike and Sharon need to delight in (i.e., focus on) what God has to say in his Word with respect to finances. In the long run, God will bless them.

*The wise man saves for the future, but the foolish man spends whatever he gets.” (Proverbs 21:20 TLB)*

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- ◆ Mike and Sharon fall into the foolish category as they have been spending all of their income (and then some) and not saving for future needs. They need to develop and implement a budget to ensure that they are spending less than they are earning and use the surplus to pay down debt and save for future needs.

*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.” (James 4:13–15, emphasis added)*

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- ◆ **When Mike and Sharon borrowed money, they were “presuming on the future.” That is, they assumed that they would have sufficient income to make the loan payments. In future, they need to consult with God beforehand; to ensure that it is God’s will for them to borrow money.**

*And my God will meet all your needs according to his glorious riches in Christ Jesus.” (Philippians 4:19)*

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- ◆ **God has promised that he will meet our needs, and because God is all powerful, he does not need the bank in order to accomplish this. Mike and Sharon should claim these verses and trust God to provide.**

### **Case Study #3**

Bill and Gail Smith were horrified when they read through the legal document that explained that the bank had just taken a major portion of their retirement fund. Without understanding the implications, Bill and Gail had cosigned a loan for their son and daughter-in-law a few years earlier. After the son and his wife had missed several payments, the bank lost patience, legally demanded the loan, and unilaterally used the cosigners’ money to pay it off.

As well as losing a lot of money, Mom and Dad lost the good relationship they had had with their son and daughter-in-law, who felt guilty because of what happened. Invitations for dinner were turned down, and both parties found it awkward at best when they got together. Cosigning had put a significant strain on the relationship.

### **Questions**

1. Did Bill and Gail violate any biblical principle in cosigning? Please explain and provide a reference to scripture.
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- ◆ **Yes: God’s Word clearly warns of the dangers of cosigning (Proverbs 22:25, 26 and Proverbs 17:8).**

2. If someone requests that you cosign a loan, how would you now handle it?

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- ◆ **Adopt a policy of never cosigning any loans because cosigning is contrary to God's financial principles. However, when it is a genuine need, and if led by the Lord, give or lend your money and expect nothing in return (Luke 6:32–38).**

3. According to Proverbs 6:1–5, what should you do if you have already cosigned for a loan?

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- ◆ **Proverbs 6:1–5 states, “My son, if you have put up security for your neighbor, if you have struck hands in pledge for another, if you have been trapped by what you said, ensnared by the words of your mouth, then do this, my son, to free yourself, since you have fallen into your neighbor's hands: Go and humble yourself; press your plea with your neighbor! Allow no sleep to your eyes, no slumber to your eyelids. Free yourself, like a gazelle from the hand of the hunter, like a bird from the snare of the fowler.”**
- ◆ **You should “free yourself” from the cosigned obligation as soon as possible.**

4. What are some practical ways you can “free yourself” from the financial obligations of a cosigned loan?

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- ◆ **Pray and ask God for his wisdom (James 1:5). Some situations may require a “miracle” from God in order to free you from the obligation.**

- ◆ Find another bank that would lend money to the borrower with no cosigner. Use these funds to pay off the loan that you cosigned.
- ◆ Encourage and assist the borrower in managing finances according to biblical principles, which would reduce the risk of default.

5. If a friend or relative has a need and asks you to cosign a loan, what are some other options to help without cosigning?

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- ◆ Pray, and if you feel led by the Lord, give the person the money.
- ◆ If God directs you, lend the money, but be prepared to forgive the loan if need be (Luke 6:35). Thus, the relationship will remain intact if they do not repay your loan.
- ◆ Provide biblically based financial counsel to enable the person to manage money better. Although the person may ask for a loan, often what is really needed is to learn how to manage money according to biblical principles.

6. When someone cosigns another person's loan, how often do you think the cosigner is required to pay the debt?

- less than 10 percent of the time
- less than 30 percent of the time
- more than 50 percent of the time
- more than 70 percent of the time

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- ◆ Most surveys reveal that the cosigner has to pay the debt more than 70 percent of the time. This should not be a surprise, because most banks require a cosigner when they assess that there is a significant risk of default.

7. If adult children get into financial difficulty, should parents bail them out? Why or why not?

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- ◆ **If the adult children have mismanaged money, the parents should not bail them out as this would enable the adult children to continue with their poor financial management. Many times what an adult needs is to learn and implement God's financial principles, not to have someone else pay off the debts. Also, it is through difficult times that Christians will frequently grow the most spiritually.**

8. Discuss the relevance and application of the following verses with regard to Bill and Gail's situation. Write your comments below each verse.

*Do not be a man who strikes hands in pledge or puts up security for debts; if you lack the means to pay, your very bed will be snatched from under you. (Proverbs 22:26, 27)*

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- ◆ **Unfortunately, Bill and Gail did not follow God's wisdom (not to cosign), and as a result, something important was taken from them—part of their retirement fund and the good relationship that they had with their son and daughter-in-law.**

*He who puts up security for another will surely suffer, but whoever refuses to strike hands in pledge is safe. (Proverbs 11:15)*

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- ◆ **By cosigning, Bill and Gail put up security (i.e., their retirement fund) for their son, and as a result, they suffered significant loss. God's wisdom and directive is to refuse to cosign (i.e., "strike hands in pledge").**

#### **Case Study #4**

Sam is a young single man who lives with his parents and pays a relatively small amount for room and board. Although he has worked full-time for approximately three years, Sam has very little savings. Sam noticed that the prices of homes in his area have increased significantly over the past seven years. He was wondering whether it makes sense for him to purchase a house or condominium of his own. As a result, he spoke to Peter, a friend from his church who is a real estate agent.

Peter enthusiastically explained to Sam why real estate is the greatest investment and that he would make a lot of money over the next few years. It was "a sure thing." However, Sam was concerned because he had no significant down payment. Peter said this was no problem,

as Peter could help Sam arrange all the financing. Peter instructed Sam to “step out in faith” and trust God for the mortgage payments.

Sam took this advice, purchased the real estate, and assumed a substantial mortgage. For a while everything seemed to be fine, as the real estate initially continued to increase in value and Sam was able to make his mortgage payments. However, after about three years, it was evident that Sam was running into some financial difficulty. Sam had not prepared a budget before buying, and three years later, when he added up all of the house expenses, there was a big surprise. The total cost of maintaining the house, including utilities, repairs and maintenance, property taxes, insurance, mortgage payments, etc., was greater than anticipated. As a result, Sam was spending more than he was earning and accumulating debt. This was further compounded by the fact that the fair market value of his real estate had decreased over the past two years.

### Questions

1. What biblical and practical mistakes did Sam make before purchasing the house? (Hint: read Luke 14:28–30 and Proverbs 24:3, 4.)

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- ◆ ***Before* purchasing the house, Sam did not prepare a budget (Luke 14:28–30) in order to assess its affordability.**
- ◆ **Sam did not have all of the facts (i.e., knowledge of the related expenses) before making a commitment (Proverbs 24:3, 4).**

2. Did Peter provide independent and biblical counsel? Please explain your answer and provide references to scripture.

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- ◆ **No, Peter had a conflict of interest in that he would benefit (by receiving a commission) from Sam's decision to purchase a house (Philippians 2:3, 4). Peter's counsel**

was unbiblical because he advised Sam to assume more debt than Sam could afford. Peter was excited about selling a house but did not assess Sam's ability to pay (Proverbs 19:2). Sam, on the other hand, did not seek and obtain godly counsel (Proverbs 15:22; 14:15).

3. Did Sam seek the counsel of the Lord? In other words, did he spend considerable time in prayer with God, seeking God's will for his life with regard to this important decision? Should he have? Please provide a reference to scripture.

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- ◆ Sam did not pray and seek the counsel of the Lord before purchasing, when he should have. "But Jehoshaphat also said to the king of Israel, "First seek the counsel of the LORD" (1 Kings 22:5).

4. Did Sam study what God's Word has to say on debt beforehand? Should he have? What would have likely occurred if he had consulted God's Word beforehand? Please provide references to scripture.

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- ◆ Sam did not study God's Word on debt beforehand, because if he had, he would have understood that God discourages debt (Proverbs 22:7), borrowing presumes on the future (James 4:13–15), God promises to meet our needs (Philippians 4:19), and God requires that we plan ahead by preparing a budget beforehand to determine if we can afford something (Luke 14:28–30). If Sam had done this, he would have avoided the financial difficulties.

5. What do you think of Peter’s advice to “step out in faith” and trust God for the loan payments?

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- ◆ This was worldly advice for Peter’s self-interest (James 3:16). Given that Sam did not pray and seek the counsel of the Lord and did not consult God’s Word regarding such an important decision, it is reasonable to conclude that Sam did not “step out in faith,” trusting God with respect to the purchase. In reality, Sam trusted Peter’s advice and his own personal judgment.

6. What prerequisites should be met before a committed Christian truly “steps out in faith” and borrows a significant amount of money? Please provide references to scripture.

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- ◆ A Christian should “step out in faith” only after doing the following:
  - In prayer, sincerely ask God for his wisdom (James 1:5) and his specific direction (Psalm 32:8) for your life.
  - Be committed to doing God’s will and not your own will (Luke 22:42).
  - Study what God’s Word (Psalm 119:105) has to say with regard to such a decision, including debt (Deuteronomy 28:1–44), God’s promise to meet our needs (Matthew 6:31–33), and the admonition to repay (Psalm 37:21).
  - Prepare a budget to determine if you can afford it (Proverbs 21:5).
  - Obtain counsel from godly financial advisers (1 Corinthians 2:14, 15) and your spouse (Genesis 2:24).
  - Proceed only after you have spent sufficient time with the Lord in prayer, waiting upon God (Psalm 37:7) and after only receiving his peace regarding such a decision (John 14:26, 27).



*Your word is a lamp to my feet and a light for my path. (Psalm 119:105)*

7. Discuss the relevance and application of the following verses with regard to Sam's situation. Write your comments below each verse.

*Any enterprise that is built by wise planning, becomes strong through common sense, and profits wonderfully by keeping abreast of the facts. (Proverbs 24:3, 4 TLB)*

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- ◆ Sam did not plan ahead (i.e., no budget) before purchasing this house, and he did not have all of the facts (i.e., the total expenses) relating to this important financial decision. As a practical matter, Sam did not exercise godly common sense.

*But Jehoshaphat also said to the king of Israel, "First seek the counsel of the LORD." (1 Kings 22:5)*

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- ◆ Sam did not seek the counsel of the Lord as his first priority *before* deciding to buy the house, and as a result he suffered the consequences later.



*I will instruct you and teach you in the way you should go; I will counsel you and watch over you. (Psalm 32:8)*

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- ◆ **God has promised that he will personally direct his children, but unfortunately Sam did not spend quality time in prayer with the Lord, seeking God's direction before buying the house.**

*Plans fail for lack of counsel, but with many advisers they succeed. (Proverbs 15:22)*

*A simple man believes anything but a prudent man gives thoughts to his steps. (Proverbs 14:15)*

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- ◆ **Sam's plans failed because Sam did not follow God's wisdom in obtaining advice from several advisers. Sam took a very simple approach by believing the biased advice of the real estate agent. Sam was not prudent; he did not give serious thought before he made the major financial decision to purchase the house.**

*My sheep listen to my voice; I know them, and they follow me. (John 10:27)*

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- ◆ **Jesus has promised to speak to us directly through our personal relationship with him. However, it is critical that we spend quality time with the Lord in prayer, not just making our petitions to God, but more importantly listening to God's voice and God's specific direction for our life. Sam did not do this.**

## **PRAYER**

Review the prayer logs at the back of this book, and pray for each other. Also list any new prayer requests and answers to prayer, and feel free to share them at the next meeting.

## **DEVELOPING A BUDGET**

Continue recording your personal expenditures and developing your budget each week.