

Part 2: Is Borrowing Money a Biblical Principle?

Note: This is the second part of a series. Read the first part [here](#).

Whenever we discuss the issues of borrowing money, there are three particular areas of concern to most of those I address. They desire to know if it is a good decision to co-sign or guarantee someone's loan. Then I am asked when it is smart to obtain a loan consolidation. The topic of how to get out of debt is always brought up. Therefore, allow me to give my thoughts on these areas of concern.

First, we need to look at the Word of God on co-signing or guaranteeing someone's loan. Proverbs 17:18 (NLT) says, "It's poor judgment to guarantee another person's debt or put up security for a friend." Here is another verse, Proverbs 22:26: "Don't agree to guarantee another person's debt or put up security for someone else. Still another verse, Proverbs 11:15: "There's danger in putting up security for a stranger's debt. It's safer not to guarantee another person's debt". I gave you three verses to emphasize how important it is to never co-sign on another person's loan.

Now I realize some of you are thinking, "My son needed a car, so I had to co-sign for him." Or "My mother-in-law needed help, so I felt it was necessary to co-sign for her." I understand how you feel, but there are reasons why the Lord put these instructions in His Word. What if those you co-signed for are not able to make their payments, and they do not tell you they are past due on the payments. Now, you are liable for the payments and possibly the entire loan. In addition, you may have a collection on your credit report. More importantly, this may cause stress on your relationship with your son or mother-in-law.

May I make a suggestion? Instead of co-signing for their loan, you should borrow the money and have them make their payments to you. Or you could loan them the money, and they could pay you directly. There are other options, but never ignore God's book of instructions when someone needs you to guarantee their loan.

Next, are loan consolidations good or bad? Let me answer that by asking you a few questions. Following the questions are my suggestions. Is the interest rate of the consolidation loan better than the individual loans? If so, it may be OK to consolidate. However, a consolidation loan must have a goal of getting us out of debt. Avoid a loan consolidation if it increases your total debt. Are the payments on the consolidation loan for a longer period of time than your existing loans? If that is the case, you may not want to consolidate. Are you consolidating to get more money, so you can spend more? If so, don't do it. If you consolidate your loans, pay the largest payment you're able to make. This will pay the loan off faster and will reduce the amount of interest you pay.

By the way, unless you are operating on a budget and know how much you spend each month, you really don't know if a consolidation loan would be beneficial. Finally, if at all possible, avoid a consolidation loan if you are required to use your home as collateral. Protect your home equity. This may be difficult. But at least try it before you pledge your home.

My final topic is how to get out of debt. In reality, it's pretty basic:

- Spend less than you make.
- Pay down your loans as quickly as possible.
- Control your expenses and avoid credit card use unless you are able to pay off the balance every month.

- Prepare a budget of all your expenses for each month for the entire year.
- Determine the differences between wants, needs and desires.

Please don't think I am being curt with you about getting out of debt. To be debt free requires a change in what caused the debt. Remember this, with few exceptions, the sum total of all our financial decisions in the past has determined where we are financially today.

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