

## CHAPTER 13

### HOW TO GET OUT OF DEBT

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

This chapter is dedicated to those who are experiencing the reality of Proverbs 22:7, as well as those who may be on a course leading in that direction. I will suggest a seven step plan for getting out of debt.

#### STEP 1 – IDENTIFY THE REAL PROBLEM

The first step in the solution to any problem is to understand the problem. If you are in debt, and have reached a point where you are unable to repay the debt as you promised when you contracted it, you will in all likelihood ask yourself the question, “What is my problem?” And answers may begin coming to your mind, such as, I lost my job, or I had unexpected medical expenses, or car expenses, or I had an accident, or I haven’t been able to build an emergency fund, or ..... Thus, you conclude, I was unable to pay my debt as agreed because of these unpredictable events, and that is my problem.

If this is the way you are reasoning, I want to suggest that you have merely identified one or more symptoms of the problem, but not the root problem. Let me state the root problem in simplified, general terms, and then apply it to our subject, the inability to repay debt. The root problem can be stated in two simple propositions. First, a lack of understanding of, or belief in, what Scripture reveals about God. And, second, a lack of understanding of, or belief in, what Scripture reveals about man (myself). The details of the root problem are given in the first two chapters of this book.

I must understand and believe that God is in control and that He has my best interest at heart. For the believer, that is true at all times and under all circumstances, including being hopelessly in debt. Only God knows what is in my best interest. He always has me exactly where He wants me, and if I am unable to repay my debts, then that is in my best interest at the moment.

I must also understand that, even though saved, I have a sin nature, and the essence of that sin nature is my lust for autonomy, my desire to decide what is in my best interest, rather than submit to what God says is in my best interest. In other words, I want to be God. This predisposes me to disobey one or more of the commandments. When I do, I must accept responsibility for my disobedience, and the consequences which result from it. Whatever God does will always be in my best interest, and will be designed to move me toward surrender of my lust for autonomy, and submission to His authority.

Thus, if I am in debt, and unable to repay it, I may have disobeyed one or more of the commands outlined in Chapter 12. I may have desired to get rich, and gone into debt to seek to realize that desire. Almost certainly I presumed on the future, ignoring the clear commands of Jesus and James. I may have been dissatisfied with the financial assets which God has entrusted to me, and borrowed money in an attempt to increase my standard of living.

All of this we must understand as the root problem behind the symptom of being in financial bondage. The issues raised in Chapters 1 and 2 must be understood and accepted before there can be any lasting solution. But having understood and accepted them, we are ready for Step 2.

#### STEP 2 – STOP ALL BORROWING

Getting out of debt is always difficult at best, because it involves facing up to the consequences of our past mistakes. Please memorize this statement: **Consumer debt is money we have already spent but not yet earned.** (If we were sitting in a fifth grade school classroom, the teacher might have us write that sentence 100 times.) It can also be expressed this way: When we borrow for consumer goods and services, we are spending future income. We are mortgaging the future to some extent, and since no one can forecast the future, we are presuming on the future, which is dangerous. Thus when we stop borrowing and begin repaying our debt, we will have less money to spend. It will involve sacrifice.

But this step must be taken sooner or later, and usually, the sooner the better. Step 2, therefore, is to **stop** all borrowing. Pay **cash** only.

**Destroy** all credit cards unless you can use them without paying any interest and without overspending your budget.

#### A WORD ABOUT CREDIT CARDS

There is nothing intrinsically evil about a credit card, nor is its use a violation of any commandment. It can be used in such a way that you pay no interest, and spend only what you plan to spend. It can be a convenience device. But this requires discipline and careful budgeting because credit cards facilitate impulse buying, or unplanned, unbudgeted buying. And unless you have the discipline and commitment to not overspend, you may be better off discontinuing the use of credit cards, at least until you are out of debt.

Here's another statement I suggest you memorize. It is a quote from a book entitled *You Can Be Financially Free*, by George Fooshee, a book I recommend.

**“A credit card is a device which creates the ability to buy without creating the ability to repay.”** Think about that. We should ask ourselves, have these credit card companies invented some ingenious way for us to spend more than we make? Of course not. What they have done is induce us into a trap which *lowers* our standard of living rather than *raising* it.

If you do decide to use a credit card, I recommend that you follow Larry Burkett's three rules for using them. (1) Never buy anything which is not budgeted. (2) Pay your full balance every month, thus avoiding the payment of any interest. (3) Destroy your cards the first month you are unable to pay the full balance.

#### A WORD ABOUT CONSOLIDATION LOANS

There is another pitfall which is gaining wider use in our day, and that is the “consolidation loan”, sometimes referred to as “refinancing your debt”. As the name implies, the consolidation loan combines all of your debts into one big loan, which is then stretched out for a longer period of time than the average duration of your loans, thus reducing your total monthly payment, and theoretically making it easier to repay your debt. You might ask, “what's wrong with that”? In a word, a

consolidation loan makes the problem **worse**, not better, because it results in more interest being paid and more time being required to get out of debt.

Please memorize this statement: **You cannot borrow your way out of debt. You can only pay your way out.** The consolidation loan treats the symptom of the problem but not the problem. The symptom is a lack of money to meet living expenses. The problem is *overspending*. And unless the overspending is stopped, the symptom will return, and when it does, the disease will be worse. Right after you do a consolidation loan, there is a feeling of temporary relief, but it soon wears off. Then things get worse, inevitably putting pressure on your marriage. Let me say this to you husbands. It is not fair to put your wife through this kind of pressure. Financial bondage takes a terrible toll on the marriage. So, almost always the consolidation loan aggravates the problem.

A word of balance. There can be some rare instances in which some refinancing can help. Occasionally you can reduce your rate of interest by refinancing, and not lengthen the repayment period. And in extreme situations, a counselor might suggest some consolidation of debt. It's often good to seek counsel, but make sure your counselor approaches your problem from a biblical perspective. Most likely, God's best for you will be to get out of debt at the earliest possible date. He probably wants the solution made harder, not easier.

#### IS IT SCRIPTURAL TO TAKE PERSONAL BANKRUPTCY?

This is an important question because today we have a personal bankruptcy law. It is legal to use bankruptcy as a means for getting out of debt. As this is written, the number of personal bankruptcies is setting record highs. It is a difficult question because of the many complexities and different situations to which the law applies. Those who believe that it is not a sin to take personal bankruptcy argue that the Christian is instructed to follow the laws of the government which is in authority over him, and one such law is the law allowing personal bankruptcy. They would cite Romans 13 in defense of this position. But I believe it is not that simple, because there are clear commands to repay debt, and no provision for avoiding repayment. All of the passages were covered in Chapter 12.

Larry Burkett had this to say in his discussion on bankruptcy: “I believe a principle that has been greatly overlooked in our generation is that of making a vow. A vow is literally a promise. When someone borrows money, he makes a promise to repay according to the agreed upon conditions of the loan. It’s not an option once an agreement is reached. It’s an absolute as far as God is concerned. The rights all fall to the lender, and the borrower literally becomes the lender’s servant. Once a Christian borrows, it’s a vow to repay. Bankruptcy is a legal remedy, not a scriptural remedy.”

It is my personal conviction that taking personal bankruptcy, or any other system of avoiding repayment of debt, is not a biblical principle, even though it is a legal remedy under our laws today. Obviously a Christian can be forced into bankruptcy. If he is, then his debts are under the control of the court. But to voluntarily take bankruptcy with the intent of avoiding debt repayment, I believe, is to disobey the clear commands of Jesus and the apostles.

For those who are in a position of not being able to pay their debts as agreed, but have not yet elected, or been forced into, bankruptcy, I suggest the seven step plan of this chapter. We have already established Steps One (identify the problem) and Two (stop all borrowing).

### STEP 3 – REDUCE SPENDING

Make a list of all current expenditures in the order of importance, listing the expenses with the highest priority at the top, etc. Then discontinue (or reduce) any expense which is not absolutely essential for survival. That would include any service you can do without, or perform yourself rather than pay someone else.

### STEP 4 – SELL ASSETS

Sell any asset which is marketable at a reasonable value, and if absolutely necessary, replace it with a similar asset at a lower cost. In other words, you are downsizing from higher cost to lower cost necessities, releasing the cash difference to apply on your debts. The most readily obvious choices for such downsizing would be your house, or second house, one or more of your cars, or any other big-

ticket item which is in the nature of a luxury ..... a non-necessity. For example, for someone in financial difficulty, buying a new car makes no sense. Not only that, if you cannot afford to buy a \$10,000 used car for cash, then buy a \$5,000 car. If you cannot afford a \$5,000 car, then buy a \$2,000 or \$3,000 car, and if you cannot afford that, you might ask God to give you a car. I've seen Him do it a number of times. He might use the charity loan approach to provide you a car. If the spiritual problem in the heart has been dealt with (Step 1), then you have the power of God working for you, and anything is possible.

Consider the following mathematical proposition. If you will commit to paying cash only for your cars for the rest of your life, then you will buy a greater number of cars, or more expensive cars, with the same number of dollars than if you continue to finance your cars. When you stop buying on credit, you raise your standard of living.

Depending on your situation, you may have to sell a long term non-liquid asset, such as a piece of land, a building, or even your home. Any of these can be perfectly good investments in and of themselves, but they can be wrong in your picture if you are in financial bondage. You cannot buy groceries, pay doctor bills and educate children with the equity in a home. You can only pay these expenses with cash. And think about this. If the value of the asset drops while you are sitting there with it, you have lost part or all of your equity, and that asset can no longer be used to repay debt, or meet your family's needs.

Please memorize this statement: **Never allow any material asset on this earth to become an idol.** All earthly assets are temporary ..... transitory. All of them will one day wind up in the city dump. It is crazy for a Christian to become attached to them. Owning a home or any other earthly asset is not nearly as important as obeying God's commandments. Therefore, you may have to sell your home or any other material asset in order to get out of debt.

#### STEP 5 – CONSTRUCT A BUDGET BASED ON STEPS 1 THRU 4

If you have taken steps 1 thru 4, you have identified the spiritual problem. You have stopped all borrowing. You have stopped all unnecessary expenditures, and you have sold everything you can to raise cash. Next, sit down and construct a budget based on those first

four steps. If the budget is in balance at this point, including the required payments on your debts, then thank the Lord, for that budget will take you out of debt.

### A WORD ABOUT BUDGETING

One of the greatest enemies of financial success is ignorance. I'm not referring to a low IQ. I'm talking about ignorance of your true financial condition and ignorance of where you are headed financially.

Be sure you know the condition of your flocks. Give careful attention to your herds, for riches do not endure forever, and a crown is not secure for all generations [Proverbs 27:23].

Few of us today have flocks and herds, but the verse was directed to an agrarian culture, and thus used language appropriate for it. In our language today, the verse is saying that unless you know where you are headed financially, you will fail. And the illustration the verse gives is very interesting, "riches do not endure forever, and a crown is not secure for all generations." In other words, even the king will go broke if he violates sound financial principles. Therefore, to follow the wisdom of this verse, you must have some kind of budget and financial system which accurately tracks your financial condition at regular time intervals. I recommend at least monthly, especially while you are seeking to get out of financial difficulty.

NOTE: This will tell you where you are and where you are headed financially, but will not tell you why. That's where the seven-step plan of this chapter and the simple stewardship plan to be explained in the next chapter come in. They tell you what to do. If you feel you need help with your budget, I recommend Howard Dayton's web site, [www.crown.org](http://www.crown.org), which has some excellent material.

As stated above, if step 5 produces a budget which will take you out of debt, then you are blessed, and in fact untypical. Step 5 does not usually produce a balanced budget. If, after step 5, you are still paying out more than you are taking in, then you must proceed to step 6.

STEP 6 – FIND EXTRA WORK UNTIL YOUR DEBTS ARE REPAYED

This may mean that the husband has to take a second job. It may mean that the wife has to work part time if she's not already working. I do not advocate the latter as a normal or usual practice. It would likely not be God's best, especially if there are children in the home. But when you are hopelessly in debt, it could be the will of God. Consider it divine discipline, part of the price you must pay for having disobeyed God. The best thing to do is get it over with as quickly as possible, so that you can return to God's best for your family.

Let's suppose you are able to find additional work. Then at that point, revise your budget to reflect the additional income, as well as any additional expense, such as taxes, childcare expense, car expense, meal expense, or others. If the revised budget is then in balance, thank the Lord, because in time it will lead you out of debt.

But what if even after these six steps your budget is not in balance? What if your debt is not declining fast enough to get you out of debt in a reasonable period of time? And I must interject that that is the case I have often found in counseling Christian couples. There is one last step.

STEP 7 – FOLLOW PROVERBS 22:7 TO ITS LOGICAL CONCLUSION

...the borrower is servant (slave) to the lender [Proverbs 22:7].

As you meditate on that verse, what thoughts come to your mind? What does the verse imply? What does it suggest? Here are some of my thoughts when I was first awakened by its truth many years ago. Why not accept the fact that I am a slave if I am hopelessly in debt? And why not act like a slave? Why not act like a good slave, a submissive slave? A submissive slave does not avoid his master (in this case, his lender). He doesn't refuse his phone calls. He doesn't wait for him to sue him. He goes to his lender, humbles and submits himself, and asks his lender to tell him what to do. That would be acting like a good slave. And that in fact is what the wisdom of Proverbs 6:1-5 suggests. Let's look at this passage.

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 [Proverbs 6:1-3a].

Before continuing, let's understand that this is referring to someone who has cosigned or guaranteed another person's debt. Of course, the same thing would apply to our own debts. We are personally liable for our own debts. So the advice given in this passage applies to any situation in which you have made yourself personally liable for a debt which you later find that you are unable to pay. In the words of the text, you were trapped by your words (your promise or your signature). What should you do?

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 [Proverbs 6:3-5].

Notice that this counsel is consistent with Proverbs 22:7. More importantly, notice that it is consistent with Jesus' command.

Settle matters quickly with your adversary who is taking you to court ... [Matthew 5:25].

So the counsel contained in these verses is, at the moment you realize that you have committed to a promise you can't make good on, go to your creditor, humble yourself and submit to him, and work out a plan of repayment. I remind you that when you follow God's counsel you have the power of God working for you instead of against you, and that's what makes the difference. Often the situation appears hopeless, but God is omnipotent. He can change the heart of your lender. There's nothing wrong with a lender reducing a debt, or rearranging the repayment terms, or even forgiving the debt. There's nothing wrong with God supernaturally supplying resources to repay a debt. He can and has done so.

I have been amazed and disappointed to watch believers shun this biblical advice, and seek an unbiblical solution to their problem ..... bankruptcy, or a consolidation loan, or letting a lender repossess property and take a loss on it, avoiding a lender, refusing his calls. Doing these things is actually seeking to avoid repayment of debt rather than doing what Scripture instructs. “The borrower is slave to the lender.” That is a statement of eternal truth which will not change while the earth stands. So the best thing to do is get in step with it rather than resist it.

#### A SUGGESTED PLAN FOR FOLLOWING PROVERBS 6:1-5

Proverbs 6 counsels “press your plea with your lender.” That means to go to him and negotiate a repayment plan. Usually there is more than one lender involved. Therefore you must go to **all** your lenders, and I stress the word “all.” My counsel is to do your best to treat all your lenders alike, and let all of them know you intend to do that. It is true that repaying your highest interest rate debt first is to your advantage financially, and that is certainly the thing to do **if you are able to meet the agreed upon payments on all your debts**. But if you can’t make full payments on all debts, which is usually the case, then, I consider it unethical to discriminate between creditors.

It is also true that those lenders which hold collateral against your debt (such as a mortgage on your house or other property) have the right to take that collateral as payment, or partial payment, of the debt. But often they will go along with an overall plan of repayment which treats all lenders alike.

So here is the plan I suggest. Go to **all** your lenders and explain your debt situation fully. Tell them it is your intention to repay all of your debts in full including interest. Tell them you have cut your expenses to the bone. Tell them you have sold everything of value which is not absolutely essential to survival. Tell them you have taken a second job, if you have. Tell them your wife has taken a job, if she has. Give them the full picture. And tell them exactly how much money you have to pay every month on all your debts. Give them the exact figure.

Let’s suppose this figure is 50% of all the regular payments on all your debts. Then tell every lender that if he will accept 50% of his normal

payment, then by the grace of God it will be there every month, and be there on time. And then tell him that any additional funds which become available for debt repayment will be paid proportionately to all lenders. I have seen this plan work. If all your lenders understand the whole truth of your situation, and sense that your intention is to repay your debts, they will usually go along with such a plan. And, of course, if the intention of your heart is to do as Scripture counsels, you have the power of God working for you. Nothing could be better than that. As a bonus you have the opportunity of bearing witness to your lenders, for they will see something in you which they do not see in the typical borrower. And trust me when I say, there is no feeling which can match the feeling of being debt free after having been in financial bondage.

### THOUGHTS ON OUR NATIONAL DEBT

In Chapter 12 we studied Deuteronomy 15. In that passage God told Israel if they would obey His commandments, He would bless them. And one of the ways He promised to bless them was that they would lend to other nations, but not borrow from them. And they would rule over other nations rather than be in servitude to them. Although the people promised to obey all God commanded, they in fact disobeyed Him. The result was that they became borrowers instead of lenders, and they lived in bondage to other nations.

As this is being written, our nation has run up debt which exceeds the debt of any nation in all of human history. In addition to this we are accumulating unfunded future liabilities at an unprecedented rate. There are currently five programs responsible for this. I call them “The Big Five” - Social Security, Medicare, Medicaid, Pension Guaranty, and at this writing, the “War Against Terror.” A study done in 2003 concluded that the total unfunded liabilities of the nation stand at approximately \$42 trillion. I almost hesitate to mention that number as it is almost impossible for our minds to grasp its significance. And besides that, it’s already out of date, and will only get worse if things continue as they are.

How will we meet those liabilities? You might answer, “Certainly not by levying additional taxes. There’s no way the American people can pay any more taxes.” But the truth is there is no other source of

funding except the taxpayers. So the government will do what it has been doing for many years, borrow more money and print more paper currency.

This will reduce the value of our currency, therefore, we are paying the additional taxes required by losing purchasing power of our money. The inflation tax is by far the easiest way out for the government. They don't even have to legislate a tax increase to effect it.

Why do I bring this up? Because the citizens of this country, including, sad to say, most Christians, are following their government deeper and deeper into debt. And when the debt pyramid one day collapses, or run-away inflation destroys most of the value of our currency, those Christians in debt will go down with the rest of the country. God does not intend it to be that way. He intends for us to be part of the solution, not part of the problem. Therefore my purpose for this discussion is to motivate those who read this to get out of debt at the earliest date possible. May God use the 7-step plan to help you do so.

#### WHEN YOU GET OUT OF DEBT, THEN WHAT?

Start thinking and planning what you will do with the money you are now using to make debt payments. While in debt, have you disobeyed Jesus' command to store treasure for yourself in heaven? Don't make the mistake of continuing to disobey that command. And don't add another broken commandment, the command to *not store treasure for yourself on earth*. If you don't start planning now, you know how the devil is going to influence you, not to mention, sad to say, most financial counselors. Push it out of your mind now, and when the day arrives, you'll either start attempting to raise your standard of living, or you'll begin trying to hoard earthly wealth, or both. It will be as natural as breathing. The choice is yours. Make your commitment now, not later.

This concept is the subject of the Epilogue of this book (see p. 229). It could be in your best interest to read it now, before continuing with the next chapter.