

CLOSE TO HOME

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**Local resources for help with  
overwhelming debt:**

# DEALING WITH overwhelming debt



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## We needed someone\*

**D**avid and Joanne found themselves reluctantly meeting with a credit counselor. A lavish Christmas season had left them with crippling credit card debt. “I don’t know where the money goes,” Joanne lamented. When the counselor talked about trimming expenses, David was quick to protest, pointing out that he had an obligation to his extended family.

As the counselor explored their spending habits, he found that Joanne rarely got involved in managing their finances, and David admitted, “I avoid paying bills because I dread it.” The edge in their voices showed that they hated to talk about money with each other, let alone with a stranger.

David’s mom had bailed them out a couple of times before, but they were reluctant to ask her for help again. Twice before, they had rolled their credit card debt into their mortgage, but this time their credit union manager insisted they go for credit counseling.

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Joanne and David told the counselor they were both working full-time, but their income barely provided enough to meet their basic standard of living, let alone the extras they were used to having. “If you would stop spending so much at the mall,” David accused. Joanne retorted, “If you had chosen a less expensive car, we wouldn’t have those big payments every month.” The meeting spiraled into a blame game, neither one wanting to make changes.

But Joanne and David heard the counselor’s warning that they were on a path

### Counseling resources

Lutheran Social Services (LSS) Financial Counseling of Minnesota provides education and counseling on budgeting, credit and debt management through Everence across the U.S. Call toll-free (877) 809-0039 between 9 a.m. and 6 p.m. (EST) to set up an appointment.

National Consumer Credit Foundation ([www.nfcc.org](http://www.nfcc.org)). NFCC has over 100 member agencies and more than 900 offices across the U.S. NFCC is the national voice for nonprofit, mission-driven, community-based counseling agencies.

Credit Counseling Canada ([www.creditcounsellingcanada.ca](http://www.creditcounsellingcanada.ca)) is a national association of not-for-profit credit counselling agencies and Orderly Payment of Debt programs from all across Canada. The agencies are community based and managed by professional staff.

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## For further awareness

- Dayton, Howard. *Your Money Map: A Proven 7-Step Guide to True Financial Freedom*. Chicago: Moody Publishers, 2015.
- First Things First: Learn How to Manage Your Money from a Christian Perspective by Putting First Things First*. Winnipeg: Mennonite Foundation of Canada, 2007.
- Fuhrman, John. *The Credit Diet: How to Shed Unwanted Debt and Achieve Fiscal Fitness*. Hoboken, NJ: John Wiley & Sons Inc., 2003.
- Huff, Francine L. *The 25-Day Financial Makeover: A Practical Guide for Women*. Grand Rapids, MI: Fleming H. Revell, 2004.
- Hunt, Mary. *Debt-Proof Your Marriage: How to Achieve Financial Harmony*. Grand Rapids, MI: Fleming H. Revell, 2016.
- Miller, Lynn A. *The Power of Enough: Finding Contentment by Putting Stuff in Its Place*. Eugene, OR: Wipf & Stock, 2015.
- Towner, Dick and John Tofilon. *Freed-Up Financial Living: How to Get There Using Biblical Principles*. Colorado Springs: NAVPress, 2008.
- Vas-Oxlade, Gail. *Debt-Free Forever: Take Control of Your Money and Your Life*. New York: The Experiment, 2010.

to losing their home. As this drastic and depressing reality sank in, they decided to make some big changes.

After talking to their pastor, they were referred to a couple from their church, Donna and Bob, who would meet with them weekly to go over financial matters. They also used financial literacy materials provided by Mennonite Foundation of Canada.

“We cried lots, and prayed with Joanne and David every time we met,” Donna recalls. “We gave advice about what was essential and what was a luxury they could not afford.” Donna and Bob helped them communicate better as a couple, and to recognize their unrealistic expectations.

Gradually, they began to allocate money for various expenses in sub-accounts at their credit union. They set up bills to be paid by electronic transfer. Joanne, who had rarely paid bills before, became active in watching where their money was going.

After two years, David and Joanne were on a better financial footing, living within their means, and paying attention to cash flow. “A couple of years before the crisis,” David recalled, “I think I knew that something had to change, but I didn’t have the guts to face it.”

“It took a lot of self-control,” Joanne added. “Talking with people about our finances was a big hurdle to get over. We needed someone to help us realize what was really important.”

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\* Based on a true story; names are fictional.

## The problem of debt

**M**ost people need to borrow money for major life events such as education, buying a house, or even a car. Sometimes circumstances beyond anyone's control force people into debt. Financial downturns in the economy cause businesses to fail and leave people unemployed. Serious illness takes people out of the workforce and leaves them with large medical bills.

Often, however, overwhelming debt can be a result of overspending. In North American culture, debt has become viewed as normal and almost expected. There is little awareness that some debt is good (money invested for training, or to purchase assets that will rise in value), and some debt is bad (for temporary pleasures like vacations or things that quickly lose their value). People forget that everything that is borrowed needs to be repaid—with interest!

Studies show that people spend more when they use credit cards, and they often don't understand the true cost of using credit. In the United States, for every dollar charged on credit, the average American pays an additional \$2 in interest and fees. For Canadians who have more than \$10,000 in debt, over half have more than four credit cards.

Across North America, household debt has been growing much faster than incomes for several decades. Disagreements over use of money and debt are a major contributor to marriage breakdowns. And when debt becomes overwhelming, the effects are huge. Following bankruptcy, families disintegrate, self-confidence is shattered, depression sets in, and one's community—even the church—withdraws.

**Consider debt consolidation.** If you have several high-interest debts, consider taking out a new loan that rolls together most or all of your other debt. Home equity lines and other consolidation loans are often at much lower interest rates than credit cards. If you are disorganized and lose track of bills, or forget to pay on time, having one payment rather than several may help. In some cases, making a proposal to creditors to repay a portion of money owed, or over a scheduled period of time, may be appropriate.

**Is bankruptcy an option?** Declaring bankruptcy may wipe out most liabilities. Some obligations, however—such as student loans and child support payments—cannot be avoided simply by declaring bankruptcy. Even if debts are erased, declaring bankruptcy may only be a temporary solution. It also brings new challenges:

- A bankruptcy trustee won't necessarily address the underlying issues that led to the financial trouble, such as uncontrolled spending.
- A person who goes bankrupt faces the loss of their home and most other assets.
- He or she will also have difficulty borrowing or rebuilding credit for a number of years.

## If you are overwhelmed with debt . . .

**S** **eeK help.** Talk to your pastor, elders or deacons, or other church members who may be able to mentor you and encourage you in tackling your debt. If you need to find professional help outside your faith community, be careful which organizations you contact. Debt counseling is becoming big business. An increasing number of largely unregulated, for-profit debt counseling agencies charge a lot of money for advice. Look for accredited organizations such as those listed in the “For Further Awareness” section on page 11.

**Take practical measures.** It seems obvious: debt will not go away without some way of paying it. So begin with two basic questions: “How can I increase my income?” and “How can I cut my expenses?” Brainstorm specific answers to those questions. In addition, adopt the following habits:

- Keep track of all your spending. Not keeping track is often a key part of the problem.
- Use a spending plan or budget—and stick to it. Avoid impulse buying.
- Don’t ignore your bills.

**Prioritize your debts.** Debt counselors offer different strategies. Some will encourage you to pay down the highest interest loan first, then move to the next highest. Others suggest paying the minimum amount on all debts and as much additional payment as possible on the one with the lowest balance. The first strategy focuses on the amount of interest you are paying, and the second focuses on the number of creditors you have.

### Am I in over my head?

Signs you should be seeking help:

- Your total debt payments exceed 50 percent of your income.
- You don’t know how much you owe.
- You feel overwhelmed by your financial situation.
- You borrow from family or friends to meet monthly expenses.
- Your credit collectors are calling.
- You are going to “lenders of last resort” because no bank will lend to you.
- You hide new purchases or lie to your loved ones about what you paid for things.

## Debt, the Bible, and the Christian story

You are not alone when you face overwhelming debt. God cares about you, and the Christian community can help you and walk with you on this difficult road.

We all fail. Too often, we accept society's message that our money is our own private business, and that we should be self-sufficient. But the church lives by different values. As Joanne and David learned, God's people are there to support each other and to be accountable to each other in living faithfully with money.

The Bible has a lot to say about money and about debt. It does not teach that debt is wrong in itself, but it does warn that debt can be dangerous. "The borrower is the slave of the lender," says Proverbs 22:7. In biblical times, people could be legally enslaved if they couldn't repay a debt. Jesus tells a story in Matthew 18:25 about a man who could not pay a debt to his master. "His lord ordered him to be sold, together with his wife and children and all his possessions, and payment to be made."

The Bible has strong recommendations to those who lend money, and warnings about not mistreating people who are in debt. Jesus counsels, "Give to everyone who begs from you, and do not refuse anyone who wants to borrow from you" (Matthew 5:42).

In our society, where overwhelming debt is often the result of overspending, our faith can guide us, keeping us from becoming attached to money as an ultimate goal. We are here to follow Jesus, not to see how much money or how many things we can accumulate. Our self-worth is not defined by what we buy or own.

"No slave can serve two masters," Jesus warns, "for a slave will either hate the one and love the other, or be devoted to the one and despise the other. You cannot serve God and wealth" (Luke 16:13). Further, in Hebrews 13:5 we read, "Keep your lives free from the love of money and be content with what you have, for [God] has said, 'I will never leave you or forsake you.'"

### **Contentment and gratitude**

Key to a healthy Christian view of money is a conviction that God owns everything, and that all we have is merely on loan to us. This means being cautious about debt. God intends us to save and share money that is entrusted to us, not just spend it. Unless our goal is to live within our means, we can't enjoy the spiritual growth, joy, and blessings that God intends.

The apostle Paul's writings about contentment can help us live simpler lives. "I have learned to be content with whatever I have," he writes in Philippians 4:11-13. "I know what it is to have little, and I know what it is to have plenty. In any and all circumstances I have learned the secret . . . of having plenty and of being in need. I can do all things through him who strengthens me."

The call to gratitude and contentment stands in stark contrast to the advertising messages we hear every day: "You deserve this." "You need this." "Buy now, pay later." "No payments for two years." But with God's help, we can live out that call—and be free of unmanageable debt.