

# Should you borrow money using your house as collateral? (30:24-26)

“Four things are small on the earth, but they are exceedingly wise:

- The ants are not a strong people, but they prepare their food in the summer;
- The shephanim (like badgers/gophers) are not a mighty people, yet they make their houses in the rocks;

## THE TEXT (NASB)

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*There be four things which are little upon the earth, but they are exceeding wise: The ants are a people not strong, yet they prepare their meat in the summer; The conies are but a feeble folk, yet make they their houses in the rocks; The locusts have no king, yet go they forth all of them by bands; The spider taketh hold with her hands, and is in kings' palaces. KJV - Proverbs 30:27*

## INTRODUCTION



You might ask, “How does the text address the question of borrowing against your home?” Keep reading...

The text says **four things are small on the earth**. Can we learn anything from little critters? We should! The text contains a powerful expression: **exceedingly wise**. This expression is used only *once* in the *entire* Bible. Although four things are mentioned, I have highlighted the first two since the last two do not deal with financial matters. Note these two financial tips: 1. Save your resources in the **summer** (a time of abundance) to prepare for the winter (a time of scarcity), and 2. Make your *house* and home as secure as possible.

The first tip advises us to learn from the behaviour of the **ants** and is covered in Proverbs 6:6 [What are two essentials for financial survival?](#) We will now look at the second tip. How should the family home, often our largest single asset, fit into our financial strategy?



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## COMMENTARY

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The family home should be a place for refuge, rest and refreshment. If we have nowhere to rest and get recharged, we won't be able to perform well anywhere. We risk losing our livelihood. Furthermore, we endanger and weaken our entire family. Thus risking the family home, although often done, is very dangerous.

### Translation: *Shephanim*

The Hebrew word שפנים (šəp̄nîm, pronounced “shah-phan-eem”) can also be translated as rock badgers, conies, or hyrax. It refers to any one of several small ungulate mammals of Africa and Asia with rodent-like incisors and feet with hoof-like toes. The text tells us that the šəp̄nîm are *exceedingly wise* because they make their homes safe and secure—“rock solid.”

### Home Equity Loans—Holey Debt



A clear-title house (i.e. a house free of mortgage) is a very valuable asset. When we have significant debt against our home it's as if the rock badgers had holes drilled into rock homes. Many financial planners encourage people to take out loans against their home on the basis that money tied up in the family's principle residence is “idle money.” They say, “put your home to work!” According to the text this is a foolish financial strategy. The text advises us to ensure our home is protected from all invaders—including creditors. Foremost, home must provide appropriate personal shelter and then, as a second consideration, it may or may not be a “good investment.”

### Different Direction with Tax Benefits

Canadian and American tax regulations give special incentives for residents to invest in principle residences. In Canada any increase on principle residences' values are exempt from capital gains tax. In the U.S.A. mortgage interest on principle residences is tax deductible. These tax regulations often motivate residents to buy more houses than they need simply to



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reduce taxes. Unfortunately they usually use debt and debt compromises the asset. Hence tax regulations conflict with the ~~exceedingly wise~~ counsel in the text. Imagine if there were no tax incentives in Canada and America for personal residences. My guess is that many houses would be more humble.

## Real Estate as an Investment



Rather than leveraging one's large home it may be better to have a smaller home to live in but a second house as an investment property, that is, if you are confident house prices will rise. Unfortunately it would mean forgoing some tax benefits. I don't believe we will see house prices rise during the first half of the 21st century, as they did in the last half of the 20th century, primarily because of demographic trends (aging population producing less children) and the simple fact that most houses built 1950+ are still habitable.

## Exceptions to the Rule

Of course there are exceptions to this rule. Some have borrowed using their houses as collateral and been very successful in business. but I believe that many more have borrowed against their home only to regret it later.



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## OUR CREATOR, REDEEMER, AND FRIEND

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Jesus once described two houses, with specific reference to their construction. Although not explicitly stated, we can safely assume that the builders built their houses starting with equal resources.

One house was built without a foundation. It went up quickly and was elaborate since the builder spent more time and money for the visible parts of the structure. The other house was built on rock. This meant costly, time-consuming excavation. It required hard work with nothing to show for it. When completed, the house was much plainer than its neighbour. People admired the first house, especially on sunny days, but when the storm came everything changed. The first house, despite all its frills catastrophically collapsed. The second house stood firm.

Jesus used this analogy to contrast those who listen to His teachings, but don't personally apply them with those who hear and act (Matthew 7:24-27). Jesus wants us to build our lives on rock to withstand coming storms, and we do this by obeying His commands. In keeping with the rock-solid analogy, when the financial storms hit, it's best to own your home mortgage and debt-free.

## APPLICATION

- Memorize the text in your favourite Bible translation and think about it often.
- Work harder to gain clear title (mortgage-free) of your home than to build a large pension.
- Avoid expenditures that are primarily for “show.”
- Don't avoid or build more house than you need for your family, especially if it requires a big mortgage.

Which of these steps, if any, does Jesus want you to take now? Ask Him.



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## KEY WORDS

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borrow, collateral, debt, home, house, investments, less assets (quantity), mortgage, ownership, taxes, bf saving

## ILLUSTRATION

Who is Quick Buck Betty?



Quick Buck Betty wants to make money fast, and is always looking for “hot tips.” Researching and understanding investments takes too long; she just cares about the returns—especially the short-term returns.

It doesn’t matter how the money is earned—in fact she’d rather not know at all! Betty is just eager to “make it” or, even better, have someone else make it for her. She has little time for Steady Eddy and Diligent Daniel—their methods take too long.

Betty views the stock and bond markets like the lottery and casino. She doesn’t invest; she gambles. She likes to “play” the markets. Day trading is one of her passions.

