What's the worst kind of debt? (22:26-27)

Do not be among those who give pledges [literally, “strike hands”], among those who become guarantors for debts. If you have nothing with which to pay, why should he take your bed from under you?

THE TEXT (NASB)

Do not be among those who give pledges [literally, “strike hands”], among those who become guarantors for debts. If you have nothing with which to pay, why should he take your bed from under you?

Be not thou one of them that strike hands, or of them that are sureties for debts. If thou hast nothing to pay, why should he take away thy bed from under thee? KJV - Proverbs 22:26

INTRODUCTION

Be careful with credit—some types of debt are worse than others.

It’s easy to lose both our security and our personal freedom—easy as falling off a log.

The worst kind of debt will leave you naked and enslaved.

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COMMENTARY

Giving pledges or “striking hands” refers to the specific moment when a binding commitment is consummated. It’s not just the greeting of a friendly handshake. It’s a solemn promise to pay later, for a good or service received now. Refer to Proverbs 6:1 and 20:16.

Business with a Handshake

In some cultures, where the exchange of private property is guaranteed almost entirely by personal integrity, a business transaction is sealed with a handshake. There is no need for complex contracts, written in legalese and addressing every possible contingency through the life of the contract. So: Perhaps that was the way business was done in the distant past, but not today. What does it mean now to become a guarantor for a debt? Well, first we must look at the issues of debt and collateral.

Debt: Two Kinds

There are basically two kinds of debt: Secured and unsecured. Secured debt is tied to an asset that, if the borrower defaults on repayment, can be sold off to redeem the debt. This asset is called collateral. Unsecured debt has no associated collateral, so a borrower has little to lose in the short run, by failing to repay. This means an unsecured debt is much riskier for a lender, who then expects more compensation, and this means a higher interest rate.

So now: Accumulating high-interest, unsecured debt is bad enough in our own affairs, but when we vouch for the debt of another borrower, who now really has nothing to lose, then we’re really out on a limb.

Collateral

In its financial usage, collateral is defined as “security pledged for the repayment of a loan.” So person may be given a loan to buy a car, but the car can then be re-possessed by the lender, if the borrower fails to repay. Other loans will require some other sort of valuable, pledged as collateral. But then, on the other hand, sometimes a guarantor will promise legally to repay the unsecured loan, “co-signing” on the borrower’s obligation to repay. This is discussed in detail in

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Proverbs 11:15. It’s a dangerous financial endeavour, having direct implications on the co-signer’s personal future—maybe even on how we sleep at night. Traditionally, this personal guarantee has been described as “surety.”

Lost Your Car and Your Freedom?

We seldom use the word “surety” in our culture today, but it’s a very contagious financial disease. Perhaps formal “co-signing” happens most commonly, when parents guarantee their grown children’s purchase of a car or even a house. But surety is like a pandemic, given that the same loss of freedom can happen with almost any debt.

Imagine buying a car for $20,000 with a car loan for $20,000. Pretend a year later you are laid off work and cannot afford the monthly payments of $375. You want to get rid of the loan, so you decide to get rid of the car. To your horror, you find the car will sell for only $15,000, while outstanding principle on your loan is $18,000. You sell the car for $15,000, which you put against the loan, leaving you in a $3,000 debt hole. Now you are trapped. You must either sell off other possessions to raise the cash, or you’ll have to deliver pizza until you get another job, to keep the lender off your back. Either way, it gets personal and uncomfortable.

Lost your Mattress?

What on earth does the text mean by the words, “Why should he take your bed from under you?” Someone wants to steal my mattress? They must be really desperate, to want that. So what’s the point of the text? There are layers of meaning here, obliging us to look at ancient commercial law.

Collateral under Mosaic Law

Mosaic Law commanded that a lender was forbidden to confiscate everything from a borrower in default. We read in Exodus 22:25-27 that God expects lenders to respect the human dignity of a borrower. Specifically, a creditor must leave the debtor with the bare necessities, including a cloak that doubled as a sleeping bag. (At 17, hitchhiking across Canada, I used my day-time jacket as my night-time pillow; but that was a different time.)

Here’s the Message for Lenders

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Lenders were—and are, by God—expected to show some leniency and not be needlessly cruel. We should show the borrower respect, as demanded in Deuteronomy 24:10-13. At least let the borrower get a good night’s rest. That helps the lender too. A well-rested borrower can work better to pay off a loan. And what’s worse, cruelty toward debtors will cause them to complain to God and curse their creditor. That’s bad news for a lender.

Mosaic Law Not Followed

Once settled in the Holy Land, the ancient Hebrews did not observe the LORD’s limits on debt collection. Unscrupulous lenders took not only their debtor’s cloak, but even his children, to work as slaves. See 2 Kings 4:1.

Many classic commentaries believe this is the text’s warning: Despite legal prohibitions against using the cloak (our sleeping bag or mattress) as collateral, overly aggressive lenders will certainly invade our personal space.

Literally, they will take our bedding; they’ll confiscate our other assets first, all of them, so they’ll be scraping the bottom of our barrel, by the time our bed goes.

Figuratively, they will be robbing us of sleep, as we fret night-long about the loss of all our substance; we may also be sleep-deprived, working long hours to hold on to anything.

And whatever else it means, we can be sure that it gets very personal. Our bed is our comfort zone, our refuge from all our cares. Yet even that is at risk.

Self-Centered Debt

The Bible utters serious threats against those who use debt as a weapon against others. “Woe to him who increases what is not his...and makes himself rich with loans,” Habakkuk 2:6. This woe is not aimed at those who make themselves rich by their own efforts. It is not aimed against those who make others rich with seed-capital. It’s aimed at creditors who enrich themselves by the destruction of others.

On the other hand, on the side of the debtor, this proverb is warning, not people who must use debt to meet their basic needs of food, clothing and shelter. It’s condemning only self-centred debt, the piling up of luxuries on top of a sink-hole of credit. Cancerous credit is everywhere today. Credit card companies entice consumers with cards never requested, with bonus points for accumulating more, and low monthly payments, to bloat the outstanding principle. They are in the business of being “generous” to naïve or greedy consumers.

Limits in Bankruptcy

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The principles underlying the Judeo-Christian financial system shaped the traditional personal bankruptcy laws in Canada. For example, the bankruptcy laws of Alberta (2009) allow many personal exemptions, so that certain assets cannot be seized by creditors. These included up to $40,000 of equity in the debtor’s principal residence, a single motor vehicle not exceeding $5,000 in value, and household goods to a value of $4,000. But that’s all. Careless use of credit can ruin your life for some long time.

Bankruptcy Hurts

Bankruptcy protection seems to show compassion, but it’s not free. First, there’s an expense involved in filing for bankruptcy, incurred by the person claiming it. Currently, filing for bankruptcy in Canada costs about $3,000. Second, others in our community are harmed by the bankrupt, directly (the lenders) or indirectly (those with indirect interests). My son Andrew, for example, did some electrical contracting work for a Calgary company that then ignored its bills and shortly declared bankruptcy, leaving Andrew to eat his lost wages and expenses. Andrew was hurt by his possibly naïve trust in a stranger.

OUR CREATOR, REDEEMER, AND FRIEND

Jesus paid a debt He didn’t owe, losing everything in the process.

Jesus told His followers that, to be His disciples, they must give up [not necessarily “give away”] all their possessions (Luke 14:33). Jesus’s followers must kiss goodbye to their assets, at least emotionally and spiritually, if not physically. Jesus Himself already had “no bed to call My own” (Matthew 8:20). Jesus gave up all His personal substance and comforts in the total commitment to the will of His Father God.

Jesus’ loss was, and is, our gain (2 Corinthians 8:9).

APPLICATION

What's the worst kind of debt? (22:26-27)

Do not be among those who give pledges [literally, “strike hands”], among those who become guarantors for debts. If you have nothing with which to pay, why should he take your bed from under you?

- Memorize the text in your favourite Bible translation.
- Eliminate all personal debt starting with your unsecured consumer debt and ending with the mortgage on your home.
- Refuse to take on new personal debt.
- Learn to save money for future needs and wants.

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

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KEY WORDS

bankruptcy, collateral, credit, debt, freedom, guarantee, guarantor, liability, slavery, sleep, worse life (quality), bf saving

ILLUSTRATION

Who is Tax-Driven Ted?

Death and taxes: The only things we can be sure of! Certainly that’s the way Tax-Driven Ted sees it. Whereas others pay some or little attention to taxes, he is consumed by tax minimization. Ted is tax obsessed. Why? For many Canadians, if left unmanaged, taxes eliminate over 50% of income. In Canada tax freedom day falls in July.

Tax freedom day is the day of the year when you have paid all your taxes and can now keep the rest of the money you earn. Tax-Driven Ted will spend money just to get a write-off. He fails to seriously evaluate the underlying economics behind the decision and chooses to focus on the tax consequences. He loves to borrow money to invest simply because he can write off the interest costs of amount borrowed. This investment technique is called leveraging and is commonplace.

Ted doesn’t believe he should pay any taxes. After all, the government wastes money. It’s extremely inefficient. He uses every angle to reduce taxes. He’s always looking for loopholes, credits, or write-offs. *His focus is not on customer satisfaction but on tax reduction.*

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He goes on trips and conferences so that he can take the tax write-offs. He loves limited partnerships investments and other tax shelters. For some investors tax considerations are secondary, but for Tax-Driven Ted, they come first.