

Biblical Financing

May 22, 2011

From the Scriptures

Does the Bible forbid borrowing?

Proverbs 22:7

The rich rules over the poor, And the borrower is the lender's slave.

As with many Proverbs, this verse describes a state of relationship that may happen, but not necessarily what will happen. This verse describes the unjust exploitation of the poor by the rich. This was common in ancient cultures where laws were not in place to protect the poor.

Both halves of this proverb describe a common reality but it does not approve or sanction either situation. In the culture in which this verse was written, the lender would often take advantage of the borrower who had no ability to pay. The borrower was often put in a position where, when he had no collateral, he had to sell himself into slavery to pay off his debt. Our culture is much different. The biblical principle is that one should be careful to avoid the kind of poverty that depends on the rich for life, sustenance, and freedom.

This is not our situation as a church. We are not poor by biblical standards. We are rich. We would not borrow beyond our ability to repay. We are not without collateral but have a building and property that can be sold in order to pay off the debt at any time.

Romans 13:8

Owe no man anything except to love each other: for he who loves his neighbor has fulfilled the law.

If we interpret this biblical warning against "owing no man anything" we must apply it to all borrowing, not just borrowing money. This would rule out borrowing a neighbor's rake or a cup of sugar. Most people who interpret this verse as a prohibition against borrowing apply it selectively to financing purchases.

We do not believe the context of Romans 13 supports the position that one should never be in a position of owing money to another. The context suggests only that one should always pay "what is owed." The context clearly identifies what is owed and should be paid: taxes, customs, fear, honor, and love. The implication is that those driven by the gospel are obligated to make sure they are "paid up" in their relationships with others. Because of God's inexhaustible love for us, we will never reach a point where we are finished paying love to others.

Deuteronomy 28: 43-45

[The sojourner who dwells among you] shall lend to you, but you will not lend to him; he shall be the head, and you will be the tail. So all these curses shall come on you and pursue you and overtake you until you are destroyed, because you would not obey the Lord your God by keeping His commandments and His statutes which He commanded you.

Deuteronomy 28:12 (part of the list of blessings for obedience)

The Lord will open for you His good storehouse, the heavens, to give rain to your land in its season and to bless all the work of your hand; and you shall lend to many nations, but you shall not borrow.

These verses were a warning and a promise to Israel conditioned on their faithfulness to the Lord as they entered the Promised Land. The biblical principle is this: if you are in a position in which you do not have to borrow it is a great blessing from God. But these verses do not lay down a universal prohibition against borrowing.

The Bible permits and regulates some lending and borrowing

Jesus challenged the man who squandered his “one talent”...

Matthew 25:27

“Then you ought to have invested my money with the bankers, and at my coming I should have received what was my own with interest.”

Jesus is not laying down principles for financing, but surely he would not have illustrated his point with an unlawful suggestion – namely, investing money with banks that pay interest, and presumably make loans to earn money on those paying interest. If it is permissible to collect interest on money invested or loaned it must be assumed it is permissible to pay interest on money borrowed as long as it is paid back according to the terms of the loan.

Other verses regulating borrowing and lending...

Deuteronomy 15:7-8

“If among you, one of your brothers should become poor . . . you shall not harden your heart or shut your hand against your poor brother, but you shall open your hand to him and lend him sufficient for his need, whatever it may be.”

Exodus 22:14

“If a man borrows anything of his neighbor, and it is injured or dies, the owner not being with it, he shall make full restitution.”

Deuteronomy 24:10

“When you make your neighbor a loan of any sort, you shall not go into his house to collect his pledge.”

2 Kings 4:3

Elisha instructs the widow, “Go outside, borrow vessels from all your neighbors, empty vessels and not too few.”

Does faith require that we always wait till God provides all the money needed prior to making a purchase?

The faith that is required to wait for God to supply all the money needed prior to building is the same faith required to believe God to provide the money needed for paying mortgage payments over time. We are totally dependent on God for paying our bills, whether they are for the next month's salaries, utilities, or mortgages. All of the money received at Harvest is a mercy of God given through the generosity of His people. Unless God and his people come through each week, we are broke.

Philippians 4:19

And my God will supply every need of yours according to his riches in glory in Christ Jesus.

2 Corinthians 9:8

God is able to make all grace abound to you, so that having all contentment in all things at all times, you may abound in every good work.

Matthew 6:33

Seek first the kingdom of God and his righteousness, and all these things will be added to you.

Psalms 84:11

For the Lord God is a sun and shield; the Lord bestows favor and honor. No good thing does he withhold from those who walk uprightly.

Psalms 23:6

Surely goodness and mercy shall follow me all the days of my life.

The only biblical way to borrow

Psalms 37:21

The wicked borrows and does not pay back, But the righteous is gracious and gives.

The Bible has strong words for those who don't pay back that which they borrow. Whenever a lender and a borrower establish a contract for lending and the borrower does not fulfill the terms of the contract, the Bible labels him as "wicked." However his good intentions of paying back his loan, he is foolish to obligate himself to pay beyond his ability. In order to guarantee repayment of his debt collateral should be offered to the lender. Collateral ensures the borrower will be able to pay his debt through the sale of the asset.

The question of whether to borrow comes down to the application of wisdom

- Do we believe that proper stewardship of God's money would warrant exchanging money spent for rent for equity?
- Do we believe that urgency compels us to building immediately as an investment that will bring spiritual and numerical growth?
- Can we accomplish our goal of making disciples more effectively in our facility that God has provided or do we believe we can accomplish that goal better in an expanded facility while incurring serviceable debt?

Borrowing Principles & Guidelines

General Principles

- The Scripture does allow borrowing
- Debt must be used wisely applying Biblical wisdom
- Borrowing wisely is not an indication of a lack of trust in God to supply our needs
- Borrowing should be secured and supported by collateral (*real property*) that is owned by HBCG
- Borrowing by HBCG is acceptable for the purchase of real property (*buildings and land*) and should not be incurred for the operating needs of HBCG nor for the addition of church staff
- The Scriptures do not forbid charging a reasonable interest on loaned monies – and in the same manner, do not forbid the payment of a reasonable interest on borrowed monies
- Debt levels should be moderate enough such that the service costs of the debt (*interest and regular principal payments*) will not financially hinder the growth of the church; neither the conduct and growth of the key ministries of HBCG, nor the necessary addition of church staff from time to time
- A sense of urgency compels us to finance reasonable amounts to accelerate ministry
- Liquid assets (*beyond the reasonable needs of HBCG operations*) that are not used to repay existing debt obligations must be viewed as a “fresh” borrowing decision, i.e., a debt that is not paid when the ability exists to do so is the same as making a fresh decision to incur the debt
- Elders will make the final determination of acceptable levels of HBCG debt in keeping with the principles above

Guidelines for HBCG Borrowing

- The maximum long term debt that HBCG will maintain should be less than 50% of the FMV of church properties (*not forced sale value*)
- HBCG will not borrow incremental funds for an expansion project in amounts greater than 50% of the cost of the expansion – preferably not greater than 25-35% of the project cost
- Funds borrowed for expansion projects should be planned to be repaid over 3-yrs (*preferable*) or 5-yrs (*max*), with the repayment amounts and timetable to be backed by sufficient regular congregational giving trends or by specific congregational pledge campaigns
- Funds may be borrowed from established institutions at reasonable market rates of interest and for the term indicated above
- Funds may be borrowed by issuing HBCG church bonds for sale to the HBCG congregation or other supporting parties of the church – at reasonable market rates of interest and for the term indicated above
- Funds raised during a giving campaign (*from short-term cash contributions or from longer-term pledges*) in excess of the amounts needed for the building project:
 - Should be used as follows:
 - Repay an incremental debt incurred for the expansion project
 - Repay other outstanding debt
 - Reserve (set aside) the funds for the next expansion campaign
 - Used for investments in Harvest ministries other than for expenses for ongoing HBCG operations