

BIBLICAL FINANCES: DANGER ZONES

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LENDING YOUR MONEY

Luke 6:35 Do not lend money unless it is surplus (extra) money that you can live without (***knowing that you may not get it back***). If you're not willing to take that risk, don't lend the money. God tells us to lend without expectation of receiving again.

CO-SIGNING

Proverbs 11:15 If you sign your name, making yourself SURETY (responsible for) another person's debts, you shall "smart" for it. Smart = HURT! If you want to be "SURE" that your savings, your house, and your property is safe, don't co-sign for anybody.

Proverbs 17:18 A person who agrees to take on someone else's debt does not understand human nature. He is "void of understanding."

Proverbs 6:1 The best way to keep from destroying a friendship is to refuse to be surety for your friend's debts. Keep your friendships disconnected from your wallet or your purse.

JOINT VENTURES (PARTNERSHIPS) WITH BELIEVERS OR UNBELIEVERS

2nd Corinthians 6:14 Don't yoke up (join together) with unbelievers. Financially speaking, you would be placing your family's welfare in the hands of someone who is not led by the Holy Spirit.

2nd Chronicles 19:1-2 Helping the ungodly to be successful could bring God's wrath upon you. Avoid joining hands with those who hate God.

Top 10 reasons not to co-sign on a loan

By [Justin Harelik](#) • Bankrate.com



Co-signing. Just the word makes those of us at Bankrate shudder because we've seen so many tales of co-signing gone wrong. Our go-to rule is, "Just don't do it!" Why? For the biggest and most important reason of all: The risk outweighs the benefits.

Many say the one viable exception would be co-signing for your child or spouse, but even then you need to think of all these risks and repercussions that could arise. Even co-signing for your spouse is dangerous – 50 percent of marriages end in divorce.

Am I a little jaded after handling collections, repossessions and bankruptcies for the past 15 years? Absolutely. Do I only see the bad cases? Of course. But these are the downsides of co-signing. Read on for reasons not to co-sign before making what could be a bad decision.

All the risk, very little reward.

You might co-sign on a loan for a car you are not driving or a mortgage loan for a house you don't live in, but that doesn't change your liability. Your credit score benefits only slightly from the monthly payments. And since you qualified as a co-signer because of your good credit, you don't necessarily need more credit lines. By co-signing, you take on all the risk if the loan is not repaid but may only see a modest improvement to your credit score.

Co-signing for friends, boyfriends, girlfriends and extended family is just not worth the risk. My favorite line from clients is, "But my boyfriend said he would dump me if I did not co-sign on the loan!" Do I even need to explain why that is not a good reason?

The lender will sue *you* first if payments are not made.

A client who co-signed for her boyfriend called me, very upset. The boyfriend stopped paying the car loan, and the lender sued her for the balance. She said, "Why is the lender suing me first? I am just the co-signer. Don't they have to sue him first?" She was even more upset when I gave a one word answer, "no."

She was the reason her boyfriend got the loan in the first place. The lender does not care about him. Yes, the lender may sue him, too, but the co-signer usually gets sued first as their credit is higher, and they are more likely to repay the debt.

The person you help will be happy, but you will have a lot to lose.

Your signature might make the other person happy because you helped him or her out. But that excitement does not last forever. "Buyer's remorse" can set in.

Even worse, the person who you helped most likely has bad credit. So he or she does not care whether another negative mark appears on his or her credit report. Needless to say, you have much more to lose.

You can destroy a friendship or family relationship.

This one is pretty simple. Once you are on the hook, you need to make sure the other party makes the required payments and makes those payments on time. Monitoring those payments can cause you stress,

especially if you have to call your friend or family member to ask why payments were not made. Plus, if they stop paying completely, it can cause extreme strife on your relationship and your finances.

Remember, one missed or late payment could mean a black mark on your credit. You may not be very willing to forgive or forget, and that can definitely destroy a friendship and has ruined families.

You are 100 percent liable on the loan that could be a significant amount.

Failure to pay on the loan means the lender will come after you for the *entire balance*. You are allowed to make the other party contribute, but you can't just pay half of the loan.

You could face tax consequences if the debt is settled.

The lender might not want to go through the trouble of suing you and agree to settle the balance owed. That will mean you could have tax liability for the difference. Meaning if you owe \$10,000 and settle for \$4,000, you may have to report the other \$6,000 as "debt forgiveness income" on your tax returns.

Also, settling on the account will leave a negative mark on your credit report. The account does not state "paid as agreed," but rather, "settled." Your score suffers because of that new mark.

Co-signing could make approval of a loan you might need impossible.

Before you co-sign, think about if you will need to use your credit soon. A friend of mine had a car loan, co-signed on another car loan for his wife and then wanted to help his parents who had less-than-perfect credit. The lender said he had too much credit in his name and denied his application.

If he was the one in need of the car, he would have been denied because he helped his parents and wife. You must consider that in the future, someone might need to use that excellent credit: you.

You'll be making that payment if your co-signer defaults.

Be prepared to make the loan payment. I would tell you to take the monthly payment and put it into a savings account and then keep it there. Once you have 12 monthly payments saved, you can stop saving. Hopefully, you never have to pay more than 12 payments on the loan, but be prepared for the worst-case scenario that you have to make the payment.

You may need to sue the other responsible party if payments are not made and you get sued.

This is a very tough option. Even though you are both 100 percent liable for the debt, you can demand the other party pay for half of the loan. Many of my clients that get sued for co-signing on an unpaid loan want to get the other party to pay. When you get sued, you need to bring the other responsible party into the lawsuit in order to get them to help with the monthly payment.

Obviously, that could be hard to do. You might not be able to find the other party, or he or she might not be working. You want the judgment and responsibility to pay on the judgment to be on both co-signing parties.

If you are not able to bring the other party into the lawsuit, you can sue them later on to contribute to your monthly payment. Unfortunately, getting a judgment against the other party is much easier than getting him or her to pay. Sometimes, you may need to hire a debt collection attorney or law firm to assist you.

You have to be organized enough to keep track of the payments.

Think it's hard enough to keep track of all your bills and payments? Well, if you co-sign, you'll also need to keep track of someone else's bills and payments. This will mean checking each month either online or by calling customer service to make sure the payment has been made. You can't blindly believe all payments will be made. Don't wait until some collector calls you saying payments have not been made in six months. By then, your credit will already have been negatively impacted.

As you can see, I believe you should never co-sign, and these 10 reasons should deter you. I wish you luck if you find yourself in a position in which you feel you have no choice.

Read more: <http://www.bankrate.com/finance/debt/reasons-not-to-co-sign-loan.aspx#ixzz2dNXnTXBU>

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