Major Purchases

HOUSING

Since the cost of housing is perhaps the greatest expense you'll ever incur, you must study your personal situation, research the possibilities, and pray for the Lord's guidance in order to make educated decisions about what's right for you.

Section 1

CONSIDER THE VARIABLES

One decision you'll face in your search for housing is whether to buy or rent, which depends on how much you can afford to spend. And the only sure way to determine your spending limit is to live on a budget.

With a budget, you know how much is coming in, how much is going out, and areas in which you can cut costs.

This allows you to take the monthly amount you'd be paying on a certain house and try fitting that amount into your budget.

It should be stated at the outset that buying a house without first checking your budget can place a tremendous financial burden on your family. The resulting stress can destroy your relationship with your spouse.

In one study, over 50 percent of divorced couples between the ages of 20 and 30 said that financial problems were the primary cause of their divorces.

Of course, buying a house within your budget may require you to settle for a smaller house than you desire. But one thing's for sure: The less you owe on your house, the faster you can pay it off.

Then, you can take the money you were using to make payments and invest it for your children's college or for retirement. The state of our nation's economy is another reason to pay off your house early. The continuous buildup of federal debt must eventually produce severe economic consequences. The people with the greatest amount of debt at that time will be likely to suffer most as a result of these consequences.

Thus, we may conclude that living on a budget is the first step in buying a house. The *Family Financial Workbook,* available from Crown, is designed to help you establish a budget.

But even though your financial situation will be the major factor in determining what type of housing you need, there are other factors that must be considered. Prayerfully give these questions some thought.

1. Is your job secure enough for you to start making a mortgage payment? If not, consider renting instead of buying a house.
2. How long do you plan to stay in the area? If you know you will be staying in the community for at least five years, house ownership may be a good option.
3. What is the economy like in the area you are considering? Is the area growing substantially, and will the house appreciate? You don't want to be stuck with a house that you can't sell because of a poor economy.

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4. What is the cost of living in the new area? If it is high, it will definitely affect your budget and may change the amount you can afford for housing.

After answering these questions, take the amount you can spend for housing and determine if house payments, including taxes and insurance, upkeep, and maintenance would be equal to or less than rental payments for a similar house in the same area. If they would be, then buying a house may be a wise choice.

Section 2

BIBLICAL PRINCIPLES TO CONSIDER

Borrowing

Even though the Bible doesn't prohibit borrowing, it discourages borrowing. In fact, every biblical reference to borrowing is a negative one. Consider Proverbs 22:7, *"The rich rules over the poor, and the borrower becomes the lender's slave."*

House owners who lose their jobs and can't keep up with their payments find out firsthand what it's like to be in the position of a slave.

Also, remember that borrowing is literally a vow to repay, and God requires us to keep our vows.

"The wicked borrows and does not pay back" (Psalm 37:21). Keep these Scriptures in mind if you're thinking about borrowing to buy a house.

Surety

Another biblical principle that affects the purpose of a home is "surety." Proverbs 17:18 says, *"A man lacking sense pledges and becomes guarantor* [surety] *in the presence of his neighbor."* Surety means taking on an obligation to pay without a certain way to pay it.

Until the 1980s, many banks did not require a personal guarantee (surety) for a home loan but allowed the home to stand as collateral. In today's economy, with higher costs and lower down payments, that is no longer true.

Since most home owners can no longer avoid surety, I recommend that you buy a home well within your means, make a large enough down payment to reduce the potential risk, and pay off the mortgage as quickly as possible. The principle that applies here is to *borrow the least amount necessary and pay it off as quickly as possible.*

Section 3

RENTING A HOUSE

If you've decided that renting a house is a better option for you at this time, there are several things to consider. First, decide what type of dwelling you want to rent.

You can rent a house, apartment, town house, mobile home, or even a room or suite in someone else's house.

The people in your church are often a good source of information about availability, location, and cost of rentals around the area.

Types of Leases

There are two main types of leases. One is a month-to-month lease, and the other is a lease for a specified amount of time—usually six months or one year.

The month-to-month lease is great if you aren't sure how long you will be in the area or if you are waiting for a house to be finished.

The problem with this type of lease is that the rent can be raised with simply a 30-day notice. You can avoid this problem with a six-month or yearly lease.

The rental price is renegotiated at the end of the lease term and may go up. However, at that point you have the option of moving out without penalty.

Deposits

Usually a security deposit is required when you sign a lease. This deposit can be retained by the owner if you damage the property while you're renting or if you move before your lease is up.

A cleaning, pet, or key deposit also may be required. These usually are refunded when you turn in your keys and the owner inspects the property.

Renter's Insurance

This type of insurance:

- Covers the value of your furniture and personal belongings;
- Protects you from being sued by the owner's insurance company if there is damage to the property (grease fire, water damage); and
- Covers the liability if someone else is hurt on the property because of your negligence or your children's negligence (for example, someone falls or trips over a toy and is injured).

Content and liability insurance usually costs about $100 to $150 a year and is well worth it, unless you can afford to replace all your belongings and have plenty of money on hand to cover exposed liabilities.

Section 4

BUYING A HOUSE

If you've decided that buying a house fits into your budget and is in your best interest long term, you can begin to look at the options available to you. Included in these options are new and used houses, condominiums, and mobile homes.

Houses

First you will need to decide whether you want to purchase a new or used house. The advantages of building a new house are that you can design your house to fit your individual needs and locate it where you want it.

But new houses also have a big disadvantage. With few exceptions, those who build a new house end up spending more than they planned to spend.

Changes made while the house is being built cost a lot of money, and it takes considerable time and mental effort to oversee the construction of a new house.

With used houses, there are several advantages. You know exactly what the house is going to cost and you can get more extras.

Used houses may come with curtains, curtain rods, towel racks, ceiling fans, lights in the closets, light bulbs, an established lawn, shrubbery, and occasionally appliances. Be sure the contract states exactly which items will come with the house.

One disadvantage of a used house is that it will likely have some wear and tear, which means repairs. The older the house is, the more repairs it's likely to need.

You should always check the heating and air conditioning, roof, water heater, and appliances to see if they are in working condition. You may choose to hire a house inspection service to do this for you. (Look under Building Inspection or Inspection Bureaus in the Yellow Pages.) After the house has been checked, you can decide whether to purchase the house as is or back out of the deal.

The Fixer-Upper or Handyman's Special

Another alternative is a fixer-upper. This type of a house can be purchased at a relatively lower cost than other used houses. But you'll need to take into consideration the extra funds for repairs, which will be in addition to the normal housing allocation.

Be sure to have the house checked thoroughly, including foundations, roof, plumbing, and wiring, so you'll know exactly what is wrong with the house before you buy it. If you have the skills and don't mind doing the repairs, you can make a nice profit when you sell it.

Condominiums

Another option is a condominium. You need to be aware of some additional costs involved above the purchase price, such as maintenance fees and club fees.

Be aware that the maintenance fees are subject to change each year, and you have no control over them. This is not a bad option, especially if you don't want to bother with yard work.

Mobile Homes

Although some people won't consider living in manufactured housing because of preconceived notions about this type of housing, many couples have bought mobile homes and think they're great.

It gave them better housing than they could have afforded otherwise and satisfied their family needs. This may be an option for older couples who are retiring and don't want to have to care for a large house.

The major disadvantage of manufactured housing is the depreciation. A new mobile home will lose about 25 percent of its total value when it leaves the sales lot.

Consider buying a previously owned mobile home, because someone else has already taken the depreciation.

Section 5

PURCHASE OPTIONS

Now that you've decided what type of house you want to buy, you need to decide how to pay for it. In order to serve God in the very best way, the goal of all Christians should be to become debt free—including their homes.

If you choose to borrow money to purchase the house, you should make it your goal to pay the house off as soon as possible (see page 14).

Pay Cash

The best way to buy a house is to pay cash, provided you are financially able to do so. The idea of owning a house debt free is not a new one; in fact, it's quite ancient. Most families used to own their houses, and those who didn't were abnormal.

Couples who couldn't afford the large house they wanted followed a procedure that young couples need to follow today. They would

- Buy a smaller house;
- Put a great deal of time and effort into it, thereby improving its value;
- Sell it; and
- Buy the next larger size house.

Eventually, these couples got their dream house without going into debt. Patience is the key.

Institutional Loans

These loans are issued by banks, savings and loans, credit unions, and mortgage companies. If you have to borrow to buy your house, an institutional loan is perhaps the most common type of loan, although it may not necessarily be the best type for you.

If you're looking for an institutional loan, it's very important to shop around, because there are so many variables.

As you enter the marketplace of house buyers, you should know what type of loans are available to you and what additional costs are associated with each.

Fees and Contracts

Most institutional loans require a down payment, which is usually 5 percent to 20 percent. But remember, the more you put down, the less likely you are to have a problem with surety.

In addition, there are various closing costs. Some of these are

- Loan origination fees
- Points
- Attorneys' fees
- Survey fees
- Inspection fees
- Appraisal fees

- ❖ PMI (private mortgage insurance)
- ❖ Real estate commissions
- ❖ Credit reports
- ❖ Title search fees.

These fees can add up to quite an expense—several thousand dollars—and should be researched thoroughly when considering any loan. Many times the seller may pay for some or all of the closing costs.

If your offer to purchase the house is subject to selling your present house, getting financial approval, or waiting on results from various inspections, be sure these contingencies are included in the contract.

These inspections may include radon gas testing, termite inspections, appliance and structural inspections, or water testing.

Fixed-Rate Mortgages

The fixed-rate mortgage is an excellent house loan. You know exactly what the interest rate and monthly mortgage payment will be and if it will fit into your budget.

Although a fixed-rate loan will have slightly higher interest rates than other types of loans, it will not change during the life of the loan. You will know that the terms are for the next 15 or 30 years.

I would recommend the 30-year mortgage because the lower monthly payment would be easier to manage in the event of a job loss, illness, or other financial problem.

Furthermore, you can make enough extra payments on a 30-year mortgage to reduce the life of the loan to 15, or even fewer, years.

If you're planning to finance a house with a fixed-rate loan, shop around for the lowest interest rate, because rates vary from institution to institution and from week to week.

Adjustable Rate Mortgages (ARMs)

ARMs are not a bad form of house loan if

1. You can get an interest rate lower than the prevailing fixed rate, and
2. The loan contains a cap on the maximum increase during the life of the loan.

These loans fluctuate with the economy; therefore, it's very important to know exactly how high the interest rate could go.

Most ARMs begin with an interest rate that's a percentage point or two below current fixed-rate loans; then they are "adjusted" periodically after that.

This makes it possible for more couples to qualify for these types of loans. At the same time, it's hard to determine how much to budget for housing from year to year.

Be sure you understand the terms before you choose this type of loan. For example, let's suppose you can get a 7 percent ARM with a 5 percent cap. That means your rate could climb to 12 percent.

Now, let's suppose the current fixed rate is 9 percent. If the terms of the adjustable are such that you could go above the fixed rate of 9 percent after just two or three years, then you probably are better off taking the fixed rate.

You also need to consider if your budget can make the payments if the adjustable goes up to the maximum cap figure allowable.

Payday Mortgages

These mortgages are designed to increase the frequency of your loan payments. Instead of paying a monthly payment, the house buyer pays one-half the monthly payment every other week or one-quarter of the payment every week. This type of mortgage payment results in one extra payment per year.

Since more of the payment is applied to the principal, equity is accrued at a faster rate. This reduces the life of the loan. The borrower also reaps the benefits of paying less interest.

Some lenders don't offer this type of loan, because they lose interest. However, this financing option is being offered by more and more lenders due to the increasing competition for loans.

Assumable Mortgages

An assumable mortgage is an existing mortgage that is assumed by the buyer at the existing terms of the seller's loan.

Assumable mortgages may benefit the buyers because the interest rate and mortgage payments might be lower than current rates.

The seller may require a written release from the buyer on an assumable loan.

Check to see if there is an assumption fee and if the loan will be assumable if you sell the house to someone else.

Government Financing

Purchasing a house with a loan subsidized by the government may be a matter of concern to some people.

Although there are no biblical principles that specifically apply to this subject, it is my personal opinion that Christians should look to God, not the government, for help.

By depending on the government to supply more and more of our basic needs, it may diminish our trust in God.

If you have prayed about it and still feel you should take advantage of the subsidized loan, then by all means follow the Lord's guidance.

There are several types of government loans that may be obtained through your local banking institution.

VA, FHA, and state-bonded programs are attractive to house buyers because of lower interest rates and lower down payments.

Seller Financing (Land Sales Contract, Trust Deed)

Another way to purchase a house is for the seller to finance the house for the buyer.

This provides a steady income to the seller, and the buyer usually saves on the closing costs. Be sure a qualified attorney draws up all the legal papers so there is no question about the terms of the sale.

Equity Sharing

Equity sharing is an excellent way for a couple to get help in purchasing a house. It also allows an investor to receive a healthy return on a relatively small investment.

This is the way it works.

1. A couple who needs help in obtaining funds for a down payment on a mortgage finds an investor willing to loan them a certain portion of those funds.
2. An agreement is written that establishes a period of years that the couple must live in the house before they can sell it. The agreement also defines the amount of equity that will be paid to the investors if the house is ever sold. (Usually, the investors will receive their full investment back plus 50 percent of any profit.)

Of course, it's always possible that when the time comes to sell the house the couple will want to continue living there.

This situation should be dealt with in advance—when the agreement is written—by including a provision that says the investor's loan will be repaid with a predetermined amount of interest.

In order to avoid any differences, a good Christian attorney should be involved in the preparation of any equity-sharing plan.

Parent-Assisted Financing

I believe it's our responsibility as parents to help our children reasonably—not take all the burdens off them. For example, the parents may provide the down payment for a son or daughter to buy a house. The house is in joint ownership: the parents own part of it and the child owns part.

The parents make the payments on the house. Then, they rent the house back to the children for an amount equal to the payments. The parents depreciate the house and take it off their taxes.

The child will receive any profit from the eventual sale of the house. In addition, the child is responsible for repairing and maintaining the house.

This method of financing benefits both parents and children. It also may be used by Christians who are willing to help other young Christian couples get their first house.

Parents with substantial savings also may choose to be lenders for their children. This method will save money on closing costs. In addition, it can be a source of retirement income for the parents. However, the children should be mature enough to be responsible for this generosity and not take advantage of their parents.

All legal forms should be on record so there will be no questions if the parents or the children pass away or if there is a default.

Parental financing should be viewed by both parties with the same financial commitment and consequences as any other type of financing.

Section 6

SELLING YOUR HOUSE

If you're on the other side of the coin—selling a house instead of buying one—there are certain things you should know. First, you must decide who is going to sell your house.

By Owner

You can elect to sell your house yourself in order to save the cost of a real estate agent's commission. This means you will advertise it yourself and must be available to show the house to interested buyers.

Be knowledgeable about selling your house. Know what other houses in your area are selling for and understand what you must do when someone contracts to buy the house. Have a qualified attorney review all offers before you sign anything.

By Real Estate Agents

You may choose to have an agent sell the house for you. This will give you greater exposure in the real estate market. In addition, it may save you time and money because the agent can advertise, use the Multiple Listing Service, and show the house while you're at work.

You'll have to pay the agent's commission—around 5 percent to 10 percent of the selling price—if your house sells. Have the broker explain every offer that is made for the purchase of your house. You could have an attorney review all offers if you are not knowledgeable about real estate.

Section 7

OTHER CONSIDERATIONS WHEN SELLING YOUR HOUSE

Tax Consequences

Although capital gains taxes used to be a major factor in many housing decisions, recent legislation has provided changes to virtually eliminate that roadblock for most families. You may now sell your home at a profit of up to $500,000 ($250,000 if single) without owing any taxes, if you have lived in that home for two of the previous five years.

Continued Liability

Unless you obtain a total release from liability, you can be held liable for any loan that a buyer assumes from you if the buyer defaults.

Contact the lending institution for more information about obtaining one of these releases. Check to see if there is a fee involved.

Earnest Money Contracts

When someone is genuinely interested in buying your house, the buyer will submit a contract and earnest money. This is a deposit on the house, so you won't sell it to anyone else while the potential buyer is getting financing approved, selling a house, or awaiting inspection results.

At this time you should be willing to tell the buyer about any problems with the house. By doing so, you will be setting a Christian example. You'll also save the buyer some headaches down the road.

Also, this is the time to declare which items will be included in the purchase price. Items to consider are appliances, ceiling fans, drapes, rods, swing sets, firewood, or maintenance equipment. You may want to present a counteroffer that refuses any terms of their offer.

Section 8

QUESTIONS ABOUT REFINANCING

Should I Refinance to Obtain a Lower Interest Rate?

If interest rates fall after you buy your house, you'll probably be tempted to refinance. But just because rates are 1 percent or 2 percent lower doesn't mean you should refinance immediately.

First, determine the dollar amount of interest you'd save through refinancing and compare that to the costs of refinancing. These costs may include new title searches, surveys, and appraisals.

If you can easily reclaim these expenses through the savings in interest within a few years, refinancing is a good idea for you. You'll usually benefit from refinancing if the new rate is at least 3 percent lower than the rate on your present mortgage.

Should I Get a Home Equity Loan (Second Mortgage) to Pay Off My Consumer Debts?

If you can't pay your bills on a regular basis, don't automatically assume that you need more money. By making some adjustments, you may be able to pay your bills with your existing income.

If you're having problems with your credit cards, cut them up. Establish a budgeted payment plan and pay each creditor the minimum payment required. At the same time, beginning with the debt with the highest interest and the smallest balance, pay an extra amount each month—as much as you can afford—in addition to the required payment. Once that debt is paid off, put all your extra money on the next smallest debt, and so on.

Borrowing more money, especially against the equity in your house, does not always solve the problem. Often, it only treats a symptom of the problem; you must treat the problem itself. However, if you can address and solve that tendency to look to credit first, then a home equity loan can be beneficial—especially with tax advantages.

Section 9

OTHER QUESTIONS ABOUT REAL ESTATE

What Happens If the Bank Forecloses on My House?

Although foreclosure is a serious problem, it does not mean God has washed His hands of you. As a result of losing a house, you will learn a costly, but valuable, lesson on the danger of surety.

When you enter into a contract, you are bound by your word to fulfill its intent. As Psalm 37:21 says, *"The wicked borrows and does not pay back, but the righteous is gracious and gives."*

Once the foreclosure has been finalized, work out a payment plan for the difference between the amount of your mortgage and the price the lender receives from the sale of the house. Be sure this payment plan will fit into your adjusted budget.

The lender will always have the option to file a deficiency judgment against you and may retain this right for several years. Check your state laws. The lender may choose to release you from the deficiency debt and has the right to do so. You must commit to pay the deficiency and do whatever the lender requests.

If you are fortunate enough to deed the house to the lender instead of foreclosure, you may avoid paying anything, but you will still lose the house and equity.

If you've fallen behind on your payment or must move quickly, make every effort to sell your house, even if you have to take a loss. Since foreclosed houses are generally sold at auction for much less than fair market value, you often can sell it for more, thus reducing what you must pay back.

What Type of Insurance Should I Have on My House?

Most lending institutions require that you have enough insurance to cover the amount of the mortgage. A homeowner's insurance policy is a comprehensive insurance plan that covers the house, its contents, and any liability associated with the property.

Usually, a homeowner's policy is the least expensive way to insure a dwelling. You can get a fire policy only, but it isn't as comprehensive as a homeowner's policy.

Shop around before you buy any kind of insurance, because there can be a significant amount of difference in the cost of insurance from one company to another.

If you're going to buy a condominium or mobile home, most insurance companies provide special insurance for these types of dwellings.

Should I Have Life Insurance on My House?

Yes. This insurance is commonly called mortgage life insurance, and it's usually sold through the lender from whom you received your house loan. But this can be a very expensive way to purchase life insurance. A decreasing term insurance policy through your local insurance agent may be less expensive.

The best option would be to determine what your total life insurance needs are and include your house loan balance with this.

By purchasing one policy, you will save money, compared to the cost of several life insurance policies. As your need for death protection diminishes, you can reduce your coverage.

What Types of Prepayment Options Are Available?

After you've made your regular monthly payment, any additional funds you put toward your mortgage go directly toward paying off the principal, exclusive of any interest.

Therefore, the next month you're paying slightly less interest and slightly more principal on the unpaid balance.

As an example, let's use a $100,000 mortgage at 9 percent for 30 years. If you prepay an extra $100 per month, you can reduce the size of the mortgage by almost $76,000 and the length of the mortgage by 10 years.

You may want to write two separate checks, one for the regular monthly payment and one for the additional principal. Write "principal" on this check to eliminate confusion at the lending institution.

Another prepayment option is the payday mortgage discussed on page 7.

Before making any prepayments on your mortgage, check with your lending institution about any penalties. Also request a yearly amortization schedule to monitor the reduction in your principal balance.

Many families will be able to make extra monthly principal payments—$50, $100—and pay off their loans earlier than scheduled. This may be the simplest option for most families.

Finally, if you feel that you need more guidance on prepaying your mortgage, you may want to purchase a copy of the book, *The Banker's Secret.* The book is sold by Good Advice Press in Elizaville, New York. Call (914) 758-1400.

Is Buying Foreclosed Houses Ethical?

Are we guilty of robbing the poor (condemned in God's Word) when we take over foreclosed houses?

A Christian must first ask, "Did I help to cause the problems that generated the foreclosure?" In other words, did you lend someone money that he or she couldn't repay and then foreclose on the house? If so, you're guilty of robbing the poor.

The second question that a Christian has to ask is, "Am I being fair?" Have you willfully taken advantage of someone else's misery?

As long as you did not generate the foreclosure, there is nothing scripturally wrong with buying a foreclosed house, especially if you don't know the former owner.

In practical fact, these people are going to lose their houses regardless of whether you buy them out of foreclosure, because the bank is going to foreclose. But let's look at another situation. Suppose someone in your church is having financial problems and faces the possibility of foreclosure.

The problem may be ignorance of God's financial principles or lack of a budget. In these cases, you could share God's financial principles with this person or put him or her in touch with a Crown Financial Ministries volunteer budget counselor.

If the problem was something beyond his or her control, such as an illness or job loss, you could provide temporary financial help yourself or join an effort by your church to help this person.

But let's suppose you do nothing to help. The lender forecloses on the house, and you buy it. In this situation, I believe you would be wrong.

Those of us who know God's financial principles should share them with people who need them, especially if those people are facing the possibility of a financial disaster.

If you don't feel qualified to counsel someone yourself, Crown has referral counselors throughout the country. In addition, there are counselors serving in churches who have been through our training program.

Remember what Paul wrote in Philippians 2:3: *"Do nothing from selfishness or empty conceit, but with humility of mind regard one another as more important than yourselves."*

Am I Too Old to Buy a House?

One of the essential foundation blocks of a biblically oriented financial plan is a debt-free house. This should be the goal of all Christians, but particularly so for retirees.

Anything can happen to this economy. It may be a collapse or hyperinflation brought on by printing massive amounts of money to avoid a depression. Either way, you can lose whatever is indebted. A debt-free house is yours, not the lender's.

Personally, I would do whatever is necessary to become debt free before age 65. If it were necessary to sell a larger house and pare down expenses by buying a smaller, debt-free house, I would also do that.

We are a nation of debtors, and eventually we will grasp the meaning of Proverbs 22:7: *"The rich rules over the poor, and the borrower becomes the lender's slave."*

To a great extent your circumstances will determine if you should buy a house. Don't put yourself in jeopardy just to own a house.

If you have a certain way to pay for the house, then it may be a good idea to buy one. But if you are older and must depend on your health or your job to make mortgage payments, you need to be very careful about buying a house. Health and jobs can easily be lost as you grow older.

Should I Pay Off My Mortgage and Lose the Tax Deduction?

People who borrow to purchase houses often believe that the tax breaks they receive justify the interest they pay.

Those who are in the 28 percent tax bracket and pay $1,000 in interest in a year may receive a $280 tax credit. This obviously shows that $720 went into someone else's pocket—the lender's.

The best alternative is to pay off your house mortgage as soon as possible and not only save the interest but accumulate a sizable savings. This far outweighs any tax deductions you might receive from paying interest.

Section 10

YOUR HOUSE AS AN INVESTMENT

Without question, the best overall investment for the majority of Americans has been their houses. Residential housing has kept track with inflation and has appreciated approximately 4 percent a year.

That doesn't make it the best growth investment, but it does make it the best performer for the average individual. It is also important to remember that our houses serve a purpose beyond the investment sphere. A house is something you can use while it appreciates.

Many investment analysts have recently commented that the boom in residential housing is over. That is probably true to some extent.

I believe the expansion of single-family residences via cheap credit is winding down, and housing will be more expensive for young couples. But Americans are hooked on having their own houses.

If that trend changes, it will be only because the country is in the midst of another Great Depression, in which case all other investments are equally at risk.

It is unfortunate that most Americans have been duped into accepting long-term debt on their houses as normal. With the prices of houses being so high, most young couples need extended loans to initially lower their monthly payments.

However, by controlling their lifestyle and prepaying their principal a little bit each month, any couple can pay off a house in 10 to 15 years.

A simple investment strategy to follow is to make the ownership of your house your *first* investment priority. Then use the monthly mortgage payments you were making to start your savings for education or retirement.

If you can retire your house mortgage before your kids go to college, they can graduate debt free, and you can be debt free too.

With so many variables in the economy, the one non-variable is this: What you own belongs to you and not to a lender. If you can't pay your real estate taxes in a bad economy, you can lose your house in three years (in most states). However, if you can't pay the mortgage payments you can lose it in three months.

There is no better time to start paying off your debts than right now, and it begins with an attitude adjustment. This adjustment is to make up your mind that God's Word governs your decisions, not someone else's idea of financial logic.

It is in the interest of those who rent money to keep the majority of people borrowing, and they've done a good job of achieving that goal. More than 70 percent of Americans under age 65 do not own their houses debt free.

However, God's Word says, "*A prudent man sees evil and hides himself, the naive proceed and pay the penalty*" (Proverbs 27:12).

EFFECTS OF PAYING MORE EACH MONTH ON A $100,000 MORTGAGE AT 9 PERCENT

Extra Amount Paid	Principal/ Interest	Life of Loan (years)	Interest Paid	Interest Saved
None	$804.62	30.00	$189,667.95	0
$25 monthly	$829.62	26.17	$160,222.62	$29,445.33
$50 monthly	$854.62	23.42	$140,227.01	$49,440.94
$100 monthly	$904.62	19.75	$113,872.30	$75,795.65

CASE STUDY #1: BIGS VERSUS SMALLS

FACTS: Bill Big and Sam Small were fraternity brothers. Both are now married and each wants to buy a new home. They each have $10,000 for a cash down payment and earn $45,000 per year.

(NOTE: This example assumes no inflation and no appreciation in real estate.)

THE BIGS

$100,000	Cost
-10,000	Cash down payment
$90,000	Mortgage—30 years, 8 percent interest rate, $667 monthly payment
$240,293	**Total cash expended after 30 years**

THE SMALLS

$60,000	Cost—Bought a smaller house
-10,000	Cash down payment
$50,000	Mortgage—nine years, 8 percent interest rate, $650.94 monthly payment

They sold their house at the end of nine years for $60,000 cash and bought their dream house next door to the Bigs.

$100,000	Cost
-60,000	Cash down payment
$40,000	Mortgage—seven years, 8 percent interest rate, $623 new monthly payment

House is paid off after 16 years.

$10,000	Original down payment
+70,624	Nine years at $651/month
+52,562	Seven years at $623/month
$133,186	Cost of house
+104,664	Invested $623/month into a mutual fund for 14 years.
$237,850	Total cash expended for 30 years
$191,898	Value of mutual fund after 14 years at 8 percent interest, assuming taxes are deferred.

CASE STUDY #2: BIGS VERSUS SMALLS

Dream House: $100,000; Income: $45,000.

THE BIGS

$100,000	Cost
-10,000	Cash down payment
$90,000	Mortgage—30 years, 8 percent interest rate, $667 monthly payment
$240,293	**Total cash expended after 30 years**

THE SMALLS

$80,000	Cost—Bought a smaller house
-10,000	Cash down payment
$70,000	Mortgage—30 years, 8 percent interest rate, $519 monthly payment

The Smalls decided to pay an additional payment on the principal of $100 per month.

$100	Principal payment
$619	Total monthly payment

House is paid off in just under 18 years.

$133,704	Cost of house
+89,136	Invested $619/month into a mutual fund for 12 years
$222,840	Total cash expended for 30 years
$148,875	Value of mutual fund after 12 years at 8 percent interest, assuming taxes are deferred.

CARS

Owning a car is a fact of life in our society. To be sure, there are those, particularly in large urban areas, who are able to use public transportation, but the lifestyle of today's average family makes owning at least one car a practical necessity. So what is the most economical way of obtaining it?

Section 1

PRELIMINARY STEPS

Examine Your Motives

Let's face it. The majority of new automobile sales in the U.S. are made because of the buyers' wants, not needs. In fact, a significant portion of people who are shopping for cars—new or used—simply do not need them. Often they are just tired of their cars; they look old and out of date, they need repairs to be put back into top condition, or their neighbors or coworkers have acquired new cars.

We have been programmed to think that if any of these conditions exist we are justified in buying new cars. Cars do wear out, and everyone will eventually find himself or herself in the position of having to get another car.

However, everyone would do well to examine motives first, because so often the notion to buy a car springs from the emotional, rather than the rational, side of human nature.

Determine Your Needs

Having examined your motives, the next step is to determine your needs. Luke 14:28 says, *"Which one of you, when he wants to build a tower, does not first sit down and calculate the cost to see if he has enough to complete it?"*

Most people would naturally like to be sitting behind the steering wheels of shiny new automobiles. But what about the cost? They need to consider not only the question of whether they can afford it but also whether buying a new car is the best stewardship of their family's hard-earned money.

Costs (payments, insurance, maintenance) for a mid-range new car commonly run in excess of $500 a month. That kind of expense can wreck the average family's budget.

Sure, they may be able to make the monthly payments, but the other major budget categories, like Food and Clothes, will begin to suffer. Since these are major needs, the family will inevitably go into debt to obtain them.

The average family needs to buy a good quality, reliable used car. The size, style, age, and appearance of that car will vary from family to family. Unfortunately, many people can't overcome the temptation to buy a new car. Furthermore, a young couple who buys a new car may be starting a lifetime habit. They may become accustomed to buying every four years, which can cost an incredible amount of money, especially if these new car purchases are made on credit.

This point was illustrated in a chart by Dr. Floyd Vest, with the mathematics department at the University of North Texas. The chart on page 18 depicts a family that buys a new car on credit every four years.

The family's first new car purchase is made in 1990. In the following 56 years they always have two cars, keep the cars for eight years, and trade the oldest one in on the next new car.

Although the chart uses constant factors for each purchase (5 percent inflation, 12 percent interest, 20 percent down payment), it proves the tremendous expense of regular new car purchases. For example, the family depicted in the chart spends more than $1.25 million on new cars during a 56-year period.

"If a significant portion of this sum were invested, it would produce a sizable financial resource," says Dr. Vest. "The scenario also illustrates that automobile purchase expense can be more than home purchase expense.

"To purchase an $80,000 home at 11 percent APR for 30 years with a 10 percent down payment would cost about $257,000 for closing costs, down payment, principal, and interest."

Dr. Vest recommends taking a serious look at used cars, which some people automatically link to higher maintenance costs and breakdowns. He points out, however, that the lower cost of insuring a used car may be sufficient to cover any additional maintenance the vehicle will require.

Become an Informed Buyer

Doing your homework before you begin shopping for a car can help you find the car that is best suited to your needs.

Consumer advocacy groups and publications, such as Consumer Reports, report on the safety, maintenance, and value of the various car models. Remember too that cheaper does not always mean better.

Friends and family members are also a good source of information. Talk with owners of cars similar to the model you are considering to see if they are satisfied.

A LIFETIME OF CARS ON CREDIT

Age	1 Year	2 Price +TTL	3 Trade in or DP	4 Amount financed	5 Payments for 48 months	6 Interest paid	7 Total outlay
25	1990	15,000.00	3,000.00	12,000.00	316.01	3,168.29	18,168.29
29	1994	18,232.59	3,646.52	14,586.08	384.11	3,851.08	22,083.67
33	1998	22,161.83	4,432.37	17,729.47	466.88	4,681.01	22,410.47
37	2002	26,937.84	5,387.57	21,550.28	567.50	5,689.79	27,240.07
41	2006	32,743.12	6,548.62	26,194.50	689.90	6,915.98	33,110.47
45	2010	39,799.47	7,959.89	31,839.57	838.46	8,406.41	40,245.99
49	2014	48,376.50	9,675.30	38,701.20	1,019.15	10,218.05	48,919.25
53	2018	58,801.94	11,760.39	47,041.55	1,238.78	12,420.10	59,461.65
57	2022	71,474.12	14,294.82	57,179.30	1,505.75	15,096.71	72,276.01
61	2026	86,877.24	17,375.45	69,501.79	1,830.25	18,350.15	87,851.94
65	2030	105,599.83	21,119.97	84,479.86	2,224.68	22,304.72	106,784.58
69	2034	128,357.25	25,671.45	102,685.80	2,704.11	27,111.53	129,797.33
73	2038	156,019.04	31,203.81	124,815.24	3,286.86	32,954.23	157,769.47
77	2042	189,642.12	37,928.42	151,713.70	3,995.20	40,056.07	191,769.77
81	2046	230,511.19	46,102.24	184,408.95	4,856.19	48,688.41	233,097.36
		1,230,534.10				**259,912.53**	**1,250,986.32**

Chart developed by Dr. Floyd Vest, University of North Texas

The family depicted in this illustration buys a new car on credit every four years, always having two cars, keeping each car for eight years, and trading the oldest one in on the next new car. The purchase cost (price plus tax, title, and license, or TTL) for the first new car is $15,000 in 1990. Purchase costs increase 5 percent each year, simulating the effect of 5 percent inflation. (During the last four decades, inflation has averaged 4.9 percent.)

Column 3 shows a cash down payment of 20 percent on the first two cars. For the third car, and all those bought afterward, the eight-year-old car is traded in for 20 percent of the new car's cost. Column 4 shows the amount financed, which is the purchase cost minus the down payment or trade-in value. This amount is financed at 12 percent APR for the next 48 months, with monthly payments shown in Column 5.

The interest paid is shown in Column 6 and the total cash outlay appears in Column 7. For the first two cars, the total cash outlay consists of a down payment, plus the amount financed and interest paid. For the later cars, the total cash outlay includes only the amount financed plus interest.

Section 2

GETTING THE MOST OUT OF YOUR EXISTING CAR

One of the best ways to get the most out of your existing car is to establish an auto maintenance fund within your budget. This will ensure that you have enough money to keep the car properly maintained (regular oil changes), which will help to keep it running longer. Contributing to this fund every month will increase your ability to cover any major replacements or repairs.

If you need to replace an engine, a transmission, or any other major part of your car, consider looking for that replacement at a recycling yard (formerly known as junk yards). You may find a perfectly good engine or transmission from a car that was wrecked.

You also may want to look for a “target” engine at a dealership. This is an engine that was built by the manufacturer for display, and it may fit your vehicle. Target engines are a cheap alternative to buying a brand new replacement engine. Another alternative is to have your existing running gear (engine, transmission, rear end) totally rebuilt.

In my opinion, a good car that’s maintained properly should go at least 150,000 miles. Of course, this depends greatly on maintenance. One of the Proverbs tells us to know the condition of our flocks and herds. This applies to everything we own, including our automobiles.

So, keep your car well maintained. If the owner’s manual says to change the oil every 7,000 miles, change it every 3,500 miles. Keep the brakes repaired, and deal with problems when they happen. Remember, if you let two or three things break, it won’t take long for your repair costs to get out of control.

Also remember this: Your existing car always seems to run a lot worse when you’re looking at new cars. Find something better to do on weekend afternoons than just “looking” at your local dealership. Looking at new cars takes the focus off your existing car and increases your temptation to buy a new one.

Section 3

THE OLD GAS MILEAGE EXCUSE

It’s very common for couples to justify buying a new car because it gets better gas mileage than their existing car. Usually, they’re just tired of their existing car and need an excuse to buy a new one.

This ministry has counseled many people who bought new cars on the basis of mileage. Unfortunately, until they sat down with a counselor, they never figured out just how much mileage savings they’d need to equal the cost of a new car. In some cases, they would have to drive their new car almost 50 years to reap mileage savings equal to the car’s cost.

Section 4

SHOPPING FOR A USED CAR

Once you have determined the type of car you want and can afford, the next step is to find the car. Go to your closest friends first. Let them know you're looking for a car. Find out if there is a Christian family in your church with a car to sell that will fit your need.

Before most Christians will sell their cars to people they know, they will either reveal everything that is wrong with the cars or else have them fixed.

By purchasing directly from the owner, you can learn the history of the car and usually negotiate the best possible price.

Leasing Companies

A second good source of used cars is a leasing company. Many of these companies keep their cars one or two years and then resell them.

Most of these cars have been routinely maintained, have low highway mileage, and are usually sold for a fair price. Often a car obtained from a leasing company will have a one-year warranty.

Banks

Bankers are another good source of used cars. Let your banker know that if he gets a really good car in as a repossession (where the bank has to recover the car), you are interested in buying it.

Be aware that a repossessed car may need some repairs, since its owner most likely couldn't afford to maintain it properly. Be sure you have some money in reserve for this purpose.

Car Dealers

Dealers have the largest selection of used cars available. A used car that was locally owned can be a good deal if you're able to contact the previous owner to see if the car has any hidden problems.

Advertisements

The difficulty in using this source of used cars is that you don't know the seller, and the seller doesn't know you. Unfortunately, there are a lot of unethical, dishonest people out there who have cars for sale.

Before buying any used car, it is advisable to write an affidavit saying, "I swear that the car I am selling, to my knowledge, has no obvious defects, no rust that I know about, and no false odometer reading." Have the seller sign it (before a notary if possible). Most honest people won't object, and most dishonest ones won't sign it.

Finally, have a mechanic check the car for defects or problems that may not be obvious to you, such as hidden rust, signs of having been in an accident, and engine problems. The dollars you spend having a mechanic look at the car can save you much grief and expense later on.

Section 5

USED CAR BUYING TIPS

Before buying a used car, first determine what kind of car you want. Otherwise, you could be led in many different directions.

It may be that the particular make and model you want is available as a "program car." These are lease and rental cars that have been bought back by dealers. They offer low mileage and a lower price than you'd pay for the same make and model if you bought it new.

When buying a used car, check a number of key areas for problems. Open all doors, the trunk, and the hood to see if the car has been repainted.

It may be that the vehicle was involved in a front- or rear-end collision. If you look under the hood and find the stickers are missing, that's a good sign that the car has been repainted.

When checking the engine, open the oil cap. If it's black inside and you see burnt oil on the valves, you know there's a problem. You also can pull out the dipstick to check for water in the oil. In addition, you can rev up the engine to check for valve or lifter noise or rod knocking.

Of course, steam coming out from under the hood and smoke coming out from the exhaust are signs of problems.

Brakes are another item you want to check. If the car shakes or vibrates when you brake, it may be an indication that a rotor is warped. Also check the brake pads. When the pads wear completely down, the metal portion of the brake scrapes against the rotor or drum and causes serious damage.

Other suggestions are to check the

- Tires (see how much tread is left);
- Lights and electrical system (be sure everything works, including the radio, automatic seat belts, adjustable seats);
- Upholstery (look for rips); and
- Carpet.

It is best to have the car checked by a reliable mechanic, if the owner will allow it.

Finally, before you visit any dealership, research your market area and find an established dealer. Also find out who's the best dealer in the area of customer satisfaction.

Section 6

SAFETY CONSIDERATIONS

According to the Insurance Institute for Highway Safety in Arlington, Virginia, safety has become a major consideration—right along with quality—for people buying a car.

You obviously want to protect yourself and your family to the greatest extent possible. But there's a secondary reason for this concern about safety, and that reason is financial.

For example, suppose you're driving in the rain and you stop suddenly to avoid hitting a dog that has wandered into the path of your car. Your vehicle is not equipped with antilock brakes; therefore, the brakes lock up and your car slides off the road. The land beside the road is relatively flat and clear, which allows the car to slow down before it finally comes to rest against a tree.

No one in your car is hurt, but the outside of the vehicle is damaged and will need repairs, which will cost you money. If your car had been equipped with antilock brakes, you might have avoided that accident. More importantly, antilock brakes could help you avoid a more serious accident in which someone in your car would definitely be hurt.

The Insurance Institute for Highway Safety lists a number of safety features you may want to consider in a car. Those features are as follows.

Size

In general, small cars are not as safe as larger ones. In relation to their numbers on the road, small cars account for about twice as many deaths as large cars.

Shoulder Belt Adjusters

Since people vary in size, the upper anchor of their car's shoulder belt may be too high or too low to provide a good fit.

Shoulder belt adjusters allow you to change the position of this anchor to get the fit that's best for you.

Belt Tensioners

If you want the highest level of crash protection available from your shoulder belt, you need to have tension on your shoulder belt reel.

To meet this need, some cars have automatic crash tensioners. These devices tighten your shoulder belt during the first milliseconds of a crash.

Webbing Grabbers

These devices clamp onto the shoulder belt webbing outside the reel. This prevents slack on the belt from spooling out.

Dual Locking Belts

These belts have an extra locking system to keep them from unreeling.

Automatic Belts

There are three basic types of these belts:

1. A motorized shoulder belt that moves into position when the door is closed and the ignition is turned on
2. A nonmotorized shoulder belt that is connected to the door and moves into position when the door closes
3. A nonmotorized shoulder belt accompanied by a nonmotorized lap belt, both of which are connected to the door. These belts move into position when the door closes.

Head Restraints

One of the best head restraints is the fixed type. The adjustable type is also good, as long as it extends high enough behind the occupant's head even when the restraint is in the down position.

That's important, because some people may treat adjustable head restraints the same way they treat nonautomatic seat belts—they ignore them.

If a head restraint extends only a few inches from the top of the seat in the down position, it will not protect a taller person against whiplash in the event of a rear-end collision.

Air Bags

Even the best safety belts, including those with tensioners, allow some forward movement by the occupants during a crash.

Air bags provide extra protection for the occupant's face and head, which can strike the steering wheel, dashboard, or windshield. Peak inflation of an air bag occurs in about one-twentieth of a second.

Antilock Brakes

When the wheels of a car begin to lock up, antilock brakes take over and pump the brakes automatically.

Yellow Rear Turn Signals

Research suggests that yellow is a safer color than red for rear turn signals. Cars with these signals are somewhat less likely to be hit from behind while turning.

* * *

The National Automobile Dealers Association (NADA) in McLean, Virginia, says many car companies have gone well beyond the safety features required by law.

These companies have built their cars with strong passenger compartments and front- and rear-body sections that are designed to absorb and redirect crash forces and prevent fires.

"In some models, for example, heavy fire walls separate the engine and passenger compartments and engine mountings are designed to send the engine down and under the passenger compartment, not through it, in a severe crash," NADA says. "Fuel tanks are located above the rear axle, away from rear impacts, and the front floor and seats are designed to prevent occupants from sliding under and out of safety belts."

NADA also notes that some cars have safety features that buyers are not aware of. These features include the following.

- Interior parts are made of soft or crushable materials that won't harm occupants during a crash.
- A glove box latch moves sideways so it can't be inadvertently knocked open.

Salespersons and manufacturers' literature can point out these hidden safety features.

Section 7

BUYING THE CAR

A listener to one of our radio programs once wrote,

> "We're considering buying a new car. But with new car prices so high, we can't afford the payments on a three-year note. Our bank offers a six-year loan with a balloon payment after three years. My husband likes this plan because he says we'll obviously be making a lot higher salary by then. But the whole concept of this frightens me. What do you think?"

Frankly, this concept also frightens me. Buying automobiles with long-term loans is like playing economic roulette. Of course, six years isn't the longest term now available on car loans. Some loans extend for 10 years, and don't be surprised if you eventually see loans for even longer terms.

I noted several problems with this six-year balloon note.

1. This woman's husband was presuming on the future. He was presuming that when this balloon note came due in three years that he and his wife would be making higher salaries.
2. He wanted a car that was too expensive for his family's budget. If he and his wife couldn't afford to save money and pay cash for the car, they didn't need to buy it.
3. He wanted a car that he couldn't pay off before it was totally depreciated, which is another indication that the car was too expensive for his family's budget.
4. He wasn't in agreement with his wife about buying the car. God works through both the husband and the wife in a marriage. They are a team. Genesis 2:24 says the husband and wife are one person. They have to agree or they are divided of mind.

Again, I want to emphasize the importance of getting the most out of your existing car. And while you're driving this car, you can be setting aside money for a new one.

In most cases, it is a lot less expensive to repair your car than to replace it. If you find that you must buy another car, let me recommend again that you consider a good used car.

Proverbs 10:22 says the blessing of the Lord should be the thing that makes us rich, not worldly possessions.

God's blessing will add no sorrow to our lives, but when we buy possessions that are too expensive for our budgets, we can lose our peace of mind. I am certain that long-term loans for a car you can't afford will add a lot of sorrow to your life.

The best way to finance a car is not to finance it at all! It is always the best policy to save the money and pay cash for your car. Auto financing is poor stewardship at the very best.

But, assuming that there are those who, for some reason or another, feel they must finance the purchase of their cars, there are some basic guidelines that should be followed.

Do Not Finance Through the Car Dealership If at All Possible

Arranging a loan through a bank or other financial institution can allow you to negotiate with the dealer on a cash basis.

When you do arrange a loan, be sure it is a simple interest loan with no pay-off restrictions. If you do that, at least you have the capability to become debt free in a short period of time.

Do Not Trade in Your Old Car; Sell It Instead

If a car dealer can sell your car and make a profit, so can you. It takes more time and effort to sell your car, but that effort is worthwhile.

Advertise your car in the newspaper or a sign in the car window. If your car is in reasonable shape, it shouldn't take very long to sell.

If Your Old Car Is Not Paid Off, Keep It Until It Is

If you trade in a car with a mortgage on it, you are simply taking your current debt and refinancing it into a new car, effectively doubling the interest you've been paying on your old loan.

Section 8

QUESTIONS AND ANSWERS

Should I Buy an Extended Warranty on My New Car?

If you are considering an extended warranty, there are several questions you need to ask.

First, does the warranty cover a period of time or a number of miles that is not covered under any implied warranties?

Second, does the extended warranty cover parts and labor, or parts only?

Third, does the price of the warranty seem reasonable in relation to the price of the parts covered?

If an extended warranty covers 5 years/ 50,000 miles, then the average driver will get coverage for less than five years (the average person drives more than 10,000 miles per year). A better warranty would cover 5 years/100,000 miles.

If only parts are covered, the cost of labor is usually so great that the owner won't get the full benefit of buying the extended warranty unless each part covered is more expensive than the relative cost of the warranty.

How Much of Our Family Budget Should Be Designated for Car Expenses?

About 15 percent to 17 percent of your *Net Spendable Income* (income after deducting tithes and taxes) should be allotted for automobile expenses. These expenses include payments, gasoline, oil, maintenance, insurance, and some savings (with future replacement of the vehicle in mind).

What Are Some Ways I Can Cut My Car Expenses?

First, you can save money on car insurance. The average family's car is more than three years old. In such cases, you may wish to carry only liability, which is required by law. Or you might choose a higher deductible policy. Shop and compare prices on liability insurance.

Second, you can save money on tires. Go to a tire dealer and ask if he sells "take-offs," which are tires that have been taken off a new car because the buyer wanted a different kind. Take-offs are nearly new and may be half the price of brand new tires.

Third, consider starting a car maintenance co-op or join an existing one. A typical co-op involves a group of Christians who meet regularly at a church parking lot to perform routine maintenance and car repairs for one another.

Preventive maintenance will save on towing charges due to unexpected breakdowns on the highway. Check your local library for books on car ownership that offer other money-saving tips.

What About Leasing a Car?

Leasing a car often seems attractive to those who cannot otherwise afford a new car. But as the old saying goes, there is no free lunch.

For a great many families today, a new car is beyond their budgets. The average new car is about $20,000, and as soon as you drive it off the lot you have a *used* car with a new car loan on it.

Of course, loans involve down payments, and some couples don't even have enough savings to meet this requirement, much less cover the entire cost of the car.

Leasing involves little or no down payment, so it seems like a convenient way to get a new car. But most people entering into leases are like the man in the parable of the tower (Luke 14:28). They haven't considered all the costs. Leasing involves more than just monthly payments.

It absolutely does cost more to lease a car than to purchase it in the same period of time. You'll normally pay the leasing company the total price of the car, along with the company's profit.

Leasing companies do buy cars at a discount, but that discount isn't much greater than what you can get if you buy the car yourself.

At the end of a lease period, you still owe a percentage of the car, usually about 10 percent, if you want to buy it. So you don't avoid the costs. You just string them out over a longer period of time.

In my opinion, leasing a car is not a good deal for a family that cannot amortize the cost as a business expense. Most families cannot do this. Furthermore, you need to be aware of leasing penalties.

First, if you drive the car too many miles (usually more than 10,000 miles per year), you'll normally pay a 10 percent penalty at the end of the lease.

If the car has "excessive wear," you could pay another 10 percent. And if the car is generally downgraded, you could pay as much as another 10 percent.

So you could end up paying the leasing company another 10 percent to 30 percent at the conclusion of the lease.

What Is Surety?

The book of Proverbs contains more than 20 references to the principle of surety. As stated previously, surety is taking on an obligation to pay something without an absolutely certain way to pay it.

Proverbs 22:26 says, *"Do not be among those who give pledges, among those who become guarantors* [surety] *for debts."* To avoid surety, the best policy is to never borrow.

If you do borrow, make sure that the item for which you borrowed is total collateral and that you would not be liable for any deficiency beyond that. An adequate down payment will help you achieve this goal.

Section 9

SUMMARY

1. Honestly evaluate your real need for a car.
2. If you determine your need justifies a purchase, buy a used car. Generally speaking, it is a much better buy.
3. Shop for value, not always the lowest price.
4. Save for your car and pay cash. However, if you must borrow, go through an institution other than the dealership.
5. Arrange for a simple interest loan from a bank or other financial institution, not the dealership. This will allow you to negotiate with the dealership on a cash basis.
6. Make sure your loan has no pay-off restrictions.
7. Finally, rather than trading in your old car, sell it yourself.

Visit Crown Financial Ministries online at www.crown.org or contact us by telephone at 1-800-722-1976.