

# **A Banker's Confession:** A Christian Guide to Debt Free Living

## **Answer Key**



## **Lesson 1: Questions and Answers My Personal Struggle with Debt**

1. How much money can a family with a \$100,000.00 loan at 10.5% for 30 years save by simply prepaying an additional \$30.00 each month?

***Answer: \$44,671.00***

How much sooner will they pay off the loan?

***Answer: 5 years***

2. Why don't banks recommend prepayments?

***Answer: They will lose interest income?***

3. What assumptions did Gary and his wife make when they bought their home?

***Answer: a. They rationalized the value of their low interest. b. They assumed their property would always appreciate in value. c. They thought they would soon sell rental property and apply the additional income to their home loan.***

What desire was restricted for Gary because of the debt on his home?

***Answer: He wanted to make a job or career change.***

4. What happened when Gary and his wife prepaid their mortgage?

***Answer: They saved thousands of dollars in interest payments and cut years off their debt. Gary was free to change his career.***

5. How has real estate been affected by the economic crisis in our country (1991)?

***Answer: Their has been a subsequent decline in property value and sales.***

6. Define leverage (p. 16).

***Answer: Leverage is using other people's money to make money for yourself.***

7. List four faulty presumptions about leverage.

***Answer:***

- a. It assumes real estate always appreciates.***
- b. It assumes there will always be a market for real estate.***
- c. It presumes on the future.***
- d. It assumes a greater return on your investment.***

8. Which group of people will be the first to suffer financial ruin in times of recession or depression? Explain why.

***Answer: Those in debt because they are most vulnerable to economic disaster.***

## **Lesson 2: Questions and Answers**

### **We Owe It to Ourselves**

1. What problems did our country experience under George Washington when the national debt accumulated? (See pages 19-21.)

***Answer: Our country experienced conspiracies, threat of military rule, inflation and bankruptcy.***

2. What happened when Congress attempted to finance the Revolutionary War debt through issuing paper money? (See pages 21 & 22.)

***Answer: It resulted in inflation, rising prices, and a devaluation of the dollar or currency.***

3. How much did the Continental dollar depreciate from the time of printing in 1775 until January 14, 1779? (In other words an item that would have cost one dollar in 1775 would cost how much four years later?)

***Answer: 8 to 1 or in monetary terms \$8.00***

How much did the Continental dollar depreciate in eight months (by September of 1779)?

***Answer: 24 to 1***

How much did the Continental dollar depreciate by January 1781?

***Answer: 100 to 1***

4. From your own observations, can you identify similarities to what is happening today in this country?

***Answer: Answers will vary but should focus on the upward change in prices.***

5. From the chart on p. 22, how much did the federal deficit grow between 1885 and 1985?

***Answer: From \$1,579,000,000.00 (1 billion 579 million) to \$1,827,500,000,000.00 (1 trillion 827 billion 500 million).***

6. What two written notes about finances were found in the pocket of the Honorable Stephen Allen when he died?

***Answer:***

***a. Earn your money before you spend it.***

***b. Live within your income.***

7. What is wrong with the idea, "We owe it to ourselves?"

***Answer: We (government) do not owe it (the national debt) to ourselves. The United States government owes the money to individual savers and investors.***

8. Paraphrase (resay in your own words) Washington's ideas on the sacred regard to public justice.

***Answer: Public justice demands that all creditors be repaid and all debts cleared or settled.***

### Lesson 3: Questions and Answers The Enslaving Power of Debt

1. How did the telephone advertisement lure the consumer into making a \$109.80 purchase?

***Answer: By promoting the idea of an “easy monthly installment plan.”***

2. Purchasing a home on time is more costly than the phone purchase because of the added interest charges. How much extra would the homeowner described on page 30 pay for his home because of interest payments?

***Answer:       \$221,151.60 (Total amount paid)***  
***\$ 80,000.00 (Purchase price)***  
***\$141,151.60 (Extra interest paid)***

3. Does modern thinking conflict with Proverbs 22:7? Explain.

***Answer: Modern thinking says that borrowing is wise and sound economic practice while the Proverb says it is bondage.***

4. Define debt.

***Answer: Any money owed to anyone for anything.***

5. Explain the statement, "Some sell their liberty to gratify their luxury."

***Answer: By incurring debt our financial freedom is sacrificed in order to obtain or satisfy a temporary desire or luxury.***

6. Read the story of Onesimus in the book of Philemon.

Define the Lord's freedman.

***Answer: The Lord's “freedman” is one set free from the debt of sin but also one in physical bondage who is not free to serve Christ as a free man.***

Define the Lord's slave.

***Answer: The Lord's slave refers to all his servants with special emphasis on the servitude of a man who is physically a free man.***

7. How can earthly entanglements restrict our service to God?

***Answer: When caught up with worldly concerns, including financial bondage, we will find ourselves limited in our ability to serve God.***

8. What was George Whitefield's experience with debt? What wrong action did he take in order to help pay off his debts?

***Answer: He presumed on the future and brought much grief upon himself. He reverted to the practice of utilizing slave labor to pay his debts.***

## Lesson 4: Questions and Answers Other Hazards of Debt

1. How much did Samuel Wesley's income increase by his job change?

**Answer:** *150 lbs.*

How much money did he borrow against predicted income to buy furniture and farm tools needed by the move?

**Answer:** *100 lbs.*

balance (not counting interest)

**Answer:** *50 lbs.*

How much did barn repairs cost?

**Answer:** *40 lbs.*

balance remaining

**Answer:** *10 lbs.*

How much did Samuel's mother need to hold off creditors?

**Answer:** *10 lbs.*

balance remaining

**Answer:** *0 lbs.*

How much did Samuel owe the government because of his new increased salary?

**Answer:**

<i>First Fruits Tax</i>	<i>28 lbs</i>
<i>John of Jerusalem Tax</i>	<i>3 lbs.</i>
<i>Tithe</i>	<i>3 lbs.</i>
<i>Total debt over ability to pay</i>	<i>34 lbs.</i>

2. What were the consequences of Wesley's financial debt?

**Answer:** *Worry, fear, and imprisonment*

3. What percentage of their income does the average American churchgoer give to the Lord?

**Answer:** *2.5%*

4. What is God's response (Malachi 3:8)?

**Answer:** *God feels robbed.*

5. How does debt cause us to rob God by neglecting the poor?

***Answer: With mountains of debt we have no extra financial resources to help the needy.***

6. How would obedience to the principle in Hebrews 13:5 help protect us from the pitfalls of debt spending?

***Answer: If we are free from covetousness and filled with contentment with what we have we won't go into debt to purchase unnecessary goods and services.***

7. List the six ways of reaching contentment identified by John MacArthur.

***Answer:***

- 1. Recognize God's goodness.***
- 2. Realize God is omniscient.***
- 3. Remember what we deserve.***
- 4. Recognize God's supremacy.***
- 5. Remind yourself what true riches are.***
- 6. Realize that contentment comes from communion with God.***

8. How did greed bring ruin to Robert Morris, a once generous man?

***Answer: He began to speculate in western lands and borrowed heavily to secure these properties. His investment collapsed during an economic downturn and depression.***

9. Define presumption and explain how it relates to debt.

***Answer: Presumption is accepting something to be true even without sufficient evidence. In relation to debt it takes for granted that the future will be as the present.***

## **Lesson 5: Questions and Answers**

### **The History of Usury: Ancient Times to Christ**

1. Use the story of the Pilgrims to illustrate how debt with usury equals extended servitude. How much did the Pilgrims pay in interest on the 1,800 pounds they borrowed?

***Answer: 20,000 pounds***

2. Define wealth.

***Answer: Man produced goods that have value***

Define usury.

***Answer: Factor payment made for the use of wealth***

Define money.

***Answer: A commodity used to facilitate trade; or a medium of exchange***

3. How did the Israelites differ from the gentiles in financial matters.?

***Answer: They loaned to their needy countryman without charging usury (interest).***

4. Were the Israelites supposed to charge interest to brothers (Leviticus 25:35-38, Deuteronomy 23:19, Nehemiah 5:1-13)? Why or why not?

***Answer: No. Usury or interest would put a poor brother into financial bondage. God's people were not to enslave each other for God delivered them all from Egyptian bondage.***

5. Was it wrong for Israelites to charge usury to foreigners (Deuteronomy 23:20)? What was the reason for the different standard?

***Answer: No. Servitude was not intended as part of the experience of God's people, however, for foreigners Israelites could exact interest as a form of dominion over them while in the promised land.***

6. Why, according to Tom Rose, are people willing to pay interest (pp. 59 & 60)?

***Answer: People are in a hurry. They don't like to wait.***

7. Name some of the prophets and philosophers of the Ancient World who denounced the practice of usury. Explain their reasons for disliking the practice.

***Answer: Plato, Aristotle, Cato, Cicero, Seneca, Plautus and others all disliked the practice of usury. They claimed it increased poverty and despair.***

8. Although the philosophers denounced the exacting of usury, what actually took place in ancient Greece and Rome? What were the consequences of such practices?



***Answer: The practice of charging interest was widespread. Bankers prospered, communities sold their property and parents sold their children into slavery.***

9. What was Christ's attitude toward loaning to the poor? Be sure to discuss the pertinent scriptures to defend your conclusion.

***Answer: Christ approved of the practice telling lenders to loan expecting nothing in return, including the principle. This shows Christ's disapproval of exacting interest to the poor. (See Matthew 5:38-42 and Luke 6:34-35.)***

## **Lesson 6: Questions and Answers**

### **The History of Usury: The Early Church to Modern Times**

1. Summarize Charles Spurgeon's attitude toward debt.

***Answer: He hated debt as Luther hated the pope.***

2. What foundation did the first century church lay regarding a Christian view of helping the poor?

***Answer: They were generous towards them and there were no needy among them.***

3. Identify Tertullian. What did he teach about usury?

***Answer: Tertullian was an early church father (A.D. 207) who opposed the heretic, Marcion. Not charging usury, he said, would help lenders to forsake even their principle amount if necessary.***

4. What important change began to take place among Christians during the rule of Constantine?

***Answer: With political triumph came moral decline of the church. The church became focused on money and began charging interest.***

5. What important Church council was called in 325 A.D.? Why was it called?

***Answer: The Council of Nicaea was called in 325 A.D.. Its purpose was to settle disputes in the church on the deity of Christ and other issues.***

6. What was the Council's decision regarding usury?

***Answer: The Council condemned the practice of usury even among the clergy.***

7. What did these men believe about usury?

Basil?

***Answer: Basil believed usurers were not to serve in God's church.***

Augustine?

***Answer: Augustine equated usury with death, scourging, and confiscation of property.***

8. What compromise took place in the early days of the Reformation which changed the entire outlook on usury?

***Answer: The belief in the imperfection of man necessitated the practice of usury especially in business and commerce.***

9. How did both Luther and Calvin view usury?

***Answer: Both Calvin and Luther were relentless enemies of the practice but accommodated to the times.***

10. What important change in terminology took place in Calvin's day?

***Answer: People began to distinguish between the terms "usury" and "interest." Usury becoming the odious term, interest the acceptable term.***

11. What did the English philosopher, David Hume, say about this change?

***Answer: Hume said that usury now came to express only the taking of exorbitant and illegal interest.***

12. How does this change affect us today?

***Answer: The use of the word "usury" is all but forgotten. Interest is a widespread practice.***

13. How did the Puritans view the taking of interest?

***Answer: The Puritans viewed interest as a form of greed, theft and bondage.***

14. What type of thinking has affected modern society the most regarding the taking of interest? What is the outlook for the future?

***Answer: A relaxed way of thinking on the evils of usury (interest) prevails today. No change seems imminent for the future.***

## Lesson 7: Questions and Answers The Marvel of Loan Prepayment

1. Before purchasing a home one should always count the cost. Including interest how much will Jake and Sue make in payments for their house?

**Answer: \$277,565.00**

2. What are some expenses in home ownership in addition to the monthly mortgage?

**Answer: All manner of repairs: roofing, plumbing, heating, painting etc.**

3. Ask someone how much they pay a year in house insurance and property taxes.

**Answer: Answers will vary with rates of inflation, interest and property taxes.**

4. Define prepayment.

**Answer: Prepayment is a payment in advance of its regular due date.**

5. Complete the chart below using information in Jake and Sue's situation described on pages 92 & 93.

**Answer:**

<u>Monthly prepayment</u>	<u>cost of loan</u>	<u>amt. saved</u>	<u>years reduced from loan</u>
0	\$183,565	0	0
\$26	\$146,750*	\$36,815	5
\$74	\$109,955	\$71,666	10
\$167	\$ 79,449	\$104,116	15

**\*\$183,565 - 36,815 = \$146,750**

6. Explain the constant prepayment plan.

**Answer: This plan is the regular monthly prepayments of a determined amount.**

7. According to the chart on page 93, how much would one save with a \$50 per month prepayment?

**Answer: \$61,965.00**

8. Use the amortization schedules in the appendix beginning on page 162 to complete the following chart. Note:

Look on page 178 for the information on the \$25 prepayment. The statement at the beginning (on page 171) only reflects the original loan. Savings are determined by studying the end of each schedule. Subtract the total interest from \$161,214.52 to determine total savings.

*Answer:*

<u>Prepayment amount</u>	<u>number of payments</u>	<u>total interest</u>	<u>total savings</u>
0	360	\$161,214.52	0
25	308	\$132,748.99	\$28,465.53
50	272	\$114,355.38	\$46,859.14
100	225	\$91,025.32	\$70,189.20
200	171	\$66,103.00	\$95,111.52

9. Explain shifting and periodic payment plans.

*Answer: A shifting payment plan has no consistent monthly amount. A periodic payment plan has no consistent time of prepayment.*

10. Explain the idea of paying the next month's principal in advance.

*Answer: With this plan you prepay the next month's principal amount. You need an amortization schedule for this prepayment plan.*

11. According to table 5 how much would one spend in prepayments to save \$3,812.13?

*Answer: \$291.45*

12. What is the advantage of biweekly payments?

*Answer: Your mortgage is divided into two equal payments every two weeks. This forces one to make payments twice a month saving interest dollars.*

13. How much would be saved in interest for a \$85,000 loan at 9% interest if paid biweekly?

*Answer: \$51,359.89*

14. How would you answer the person who is hesitant to make prepayments because of a supposed loss of tax advantage?

*Answer: Prepayments save you dollar for dollar of interest while paying a dollar of interest to save on taxes saves only the percentage rate you actually pay in taxes. If you are in a 28% tax bracket you will save only 28 cents on every dollar you pay in interest.*

## **Lesson 8: Questions and Answers**

### **The Value of Thrift**

1. What three economic principles did John D. Rockefeller learn from the beginning?

**Answer:**

- a. to work**
- b. to save**
- c. to give**

2. Richard Cobden divides the world into what two classes?

**Answer:**

- a. Those who have saved**
- b. Those who have spent**

3. Which class contributes the most to society and why?

**Answer: Savers contribute most because they use their capital for production.**

4. What lesson can we learn from the story Mr. Budgett, his servant girl and a potato?

**Answer: We learn that economy leads to increase.**

5. What did John Maynard Keynes consider as economic virtues?

**Answer: Keynes considered consumption, extravagance and improvidence as economic virtues.**

6. What did he construe as vices to be avoided?

**Answer: He considered saving, thrift and financial prudence as vices to be avoided.**

7. What has been the result of our nation following Keynes's advice?

**Answer: Our nation has experienced a considerable decline in saving.**

8. List some biblically based home business ideas for enhancing income inspired by Proverbs 31. Can you think of others?

**Answer: Making clothes; baking; cooking; planting produce etc. Other ideas might include; assisting your husband in his own business; typing; word processing; computers; or other business work etc.**

9. Explain why a wife's job away from home often contributes little or no actual gain.

**Answer: When a wife works away from home there are increased job related expenses**

*such as clothing, travel, food, child care, and taxes.*

10. How can using cash for purchases save money and protect you from the temptation to over spend?

***Answer: Using cash tends to make you spend less. Credit card users generally spend 35% more than those who use cash.***

11. List and explain five or more additional ways to enhance income.

***Answer: Pay raises, selling unneeded possessions, reducing expenditures, using second hand stores, doing your own repair work, using cash instead of credit cards, and saving regularly.***

12. Our neighbors acknowledged that it would be wonderful to own their home free and clear, but said they could never afford to do so. The next week her husband received a salary increase. They are now planning to move into a more expensive house. Which principle of income enhancement did they ignore?

***Answer: They ignored and abused the income enhancement of pay raises.***

## **Lesson 9: Questions and Answers**

### **Investing for the Future**

1. Read and report on R.G. LeTourneau's autobiography, *Mover of Men and Mountains*.

What was this man's motto?

***Answer: The question is not how much of my money I give to God, but rather how much of God's money I keep for myself.***

How did God honor this man's faith?

***Answer: God caused his earthly wealth to grow.***

2. What are some advantages of self employment?

***Answer: Personal accomplishment; increase in skills and income potential; gaining liberty and independence; doing what you like; being your own boss.***

3. Study the list of self-employment ideas on page 121. Can you think of at least five other areas of self-employment?

***Answer: Author; publisher; web designer; computer technician; architect***

4. Interview at least one family, friend, or neighbor who works out of their home. Ask them to give you several advantages and disadvantages of their work situation. See if they have any advice which they wish someone had given them before they started their business.

***Answer: Responses will differ***

5. What is one of the greatest causes of business failure? Explain your answer.

***Answer: Poor management and business debt. Explanations may vary.***

6. List six or more other possibilities of investment.

***Answer: Government securities; mutual funds; precious metals; money market funds; IRAs; stocks and bonds; giving.***

7. Paraphrase (put in your own words) Deuteronomy 14:29.

***Answer: Answers may vary.***

8. Why is giving listed as a type of investment? (See Deuteronomy 15:10 and 2 Corinthians 9:6-7.)

***Answer: Giving is a type of investment to help the needy and advance God's kingdom.***