

Surety—Cosigning for Loans

Several years ago I received a phone call from a woman who indicated that the bank had just taken a significant portion of her and her husband's retirement fund to pay off a loan for which they had cosigned with their son. Without understanding the implications, the parents had cosigned for a loan for their son and daughter-in-law. After the son and his wife had missed two or three payments, the bank lost patience, legally demanded the loan, and unilaterally used the cosigners' money to pay it off. As well as losing a lot of money, Mom and Dad lost the good relationship they had had with their son and daughter-in-law, who felt guilty because of what happened. Invitations for dinner were turned down, and both parties at best found it awkward when they got together, because of the significant strain that cosigning had put on the relationship.

In my experience, most Christians are not aware that God's Word strongly advises against cosigning. The terminology for cosigning that is used in the book of Proverbs is to "strike hands in pledge." It's important to understand that at the time the book of Proverbs was written, they did not have lengthy legal documents for their agreements; a handshake was sufficient. "To strike hands in pledge" meant to shake hands in the process of making a pledge to pay a financial obligation.

God warns that if you strike hands in pledge or cosign for a debt, something very negative could happen to you. Proverbs 22:26, 27 states, "Do not be a man who strikes hands in pledge or puts up security for debts; *if you lack the means to pay, your very bed will be snatched from under you*" (emphasis added). I believe that an appropriate contemporary analogy to having "your bed snatched out from under you" would be to lose something valuable to you, such as your home or part of your retirement fund.

God's Word in regard to cosigning is a principal, not a law. It is not a sin to cosign, but God warns that if you cosign, you may suffer negative consequences. Proverbs 17:18 is very clear regarding risks of cosigning: "A man lacking judgment strikes hands in pledge and puts up security for his neighbor."

The policy that my wife, Cathy, and I have established is to never cosign for anyone, regardless of the circumstances. If a friend or relative has a real need, we will pray, and, if directed by God, we will give the person the money. I believe another option is to simply lend your own money to the individual for that need—*with the mindset that you are prepared to forgive the loan if need be*. (See Luke 6:35.) If you follow one of these two policies, you will have effectively advanced the funds to the friend or relative on a "free-will basis" rather than being forced to provide the money when the bank takes legal action against you as the cosigner because the borrower has defaulted on the loan.

In short, if there is a real need, and if you give or lend the money (being willing to forgive the debt), then generally the relationship will remain intact. In addition, you will retain your own peace of mind, as you will not end up in a stressful situation where you are legally forced to pay off the debt.