

Towards a Jubilee Economy

Session Three: Debt Can Be a Cruel Master

Participant's Guide

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Goals for Session Three

1. Appreciate how taking loans with an interest-rate can be dangerous.
2. Be grounded in Scripture, and God's vision for human beings to lend money without interest.
3. Appreciate how third-party lenders cause the inflation of prices in homes, college, and medical care. Become more economically literate in a larger sense.
4. Ask participants to share about debts. Calculate the impact of interest-rate loans.
5. Brainstorm ways to bring down indebtedness.

Outline of Session Three

- Part 1: Video and Reading
 - Watch a 17 minute video about auto loans
 - Read a 5 minute news article about American indebtedness
 - Record your responses to the questions. Discuss in the group.
- Part 2: Reflect on Scripture: God's Vision for Lending Without Interest
 - Selections: Exodus 22:25; Leviticus 25:35 - 38, 42, 55; Deuteronomy 23:19 - 20; Ezekiel 22:12; Psalm 15:5; Proverbs 28:7 - 9
 - Discussion about what God is protecting people from
- Part 3: Economic Literacy -- Debt and Ballooning Prices At a Glance
 - Observe financial history and how indebtedness allows for price inflation
 - Observe housing mortgage debt, college debt, and medical debt
- Part 4: Personal Sharing and Debt Calculations
 - Leader encourage personal sharing about debts
 - Brainstorm ways to consolidate debt, reduce the need to go into debt

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Part 1: Interest Rates and American Indebtedness

This week, we will reflect on, and talk about, indebtedness. Here is one humorous 17 minute video by John Oliver on *Last Week Tonight*. Also, here is a short article from the Washington post that will take you 5 minutes to read.

Guiding Questions As You Watch and Read:

1. How have Americans gotten into so much debt?
2. Do you relate to any of these stories? If so, how? Or does it make you think about others who are struggling with debt?
3. What do you wish you had known? Or what do you wish others had available to them?

Video:

“Auto Lending”

Last Week Tonight with John Oliver (HBO)

John Oliver, August 15, 2016;

https://www.youtube.com/watch?v=4U2eDJnwz_s

Warning: Not Safe For Work (NSFW) due to some vulgar language.



News Article:

“More Americans Feel Like They Will Never Get Out of Debt”

Washington Post

Jonelle Marte, December 10, 2014;

<https://www.washingtonpost.com/news/get-there/wp/2014/12/10/more-americans-feel-like-they-will-never-get-out-of-debt/>



(Reuters/Eric Thayer)

Americans are feeling more grim about their debt.

Nearly one in five consumers with loans said they think they will never be able to finish paying off their debt, according to survey released Wednesday by CreditCards.com. That is double the nine percent who said they felt that way last year.

The card comparison Web site polled more than 1,000 people in early December and asked them what age they expected to be debt free, after factoring all of their consumer debt, including credit card bills, car loans, student loans and other types of loans like mortgages. On average, people said they didn't expect to be done paying off those loans until they were 53.

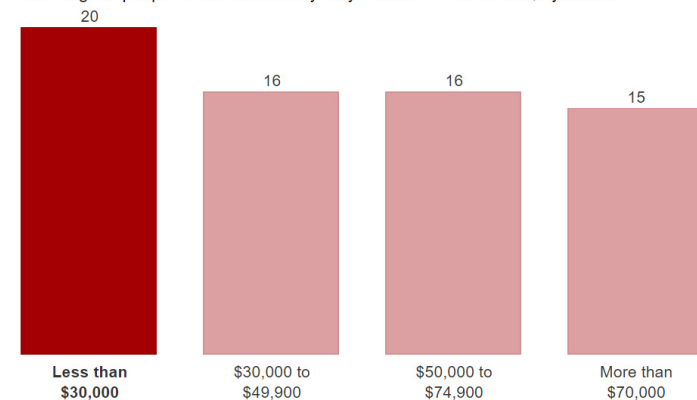
But the doubling of the share of people who say they will never be debt free is a sign that people are growing more pessimistic about their ability to pay what they owe, says Matt Schulz, a senior industry analyst for CreditCards.com. That could be a reflection of how people feel about the economy, he says. Many people are struggling to pay down student loans. And even people who are working may feel stuck in low paying jobs or in jobs that don't match their skills.

“While unemployment is down, you still have people who are either underemployed or have been looking for a long time,” Schulz says. “Wages haven't increased a whole lot over time.”

People who made less money were more likely to feel like their struggle with debt would be endless. Some 20 percent of people who made less than \$30,000 a year said they felt they would never be debt free, compared to 15 percent of people who made \$75,000 and up.

In debt with no end in sight

Percentage of people with debt who say they will never be debt free, by income



Source: CreditCards.com

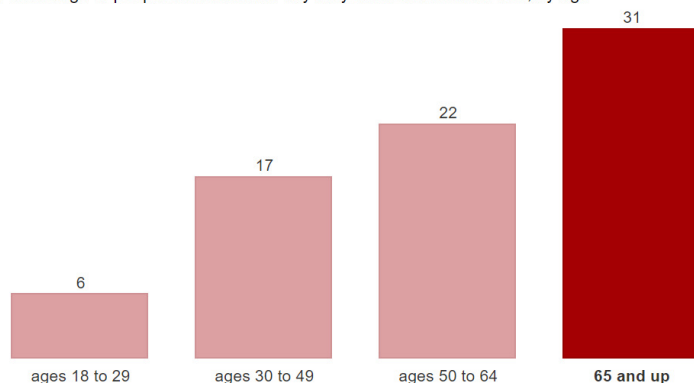
The Washington Post

Optimism about paying off debt also fell with age. Even though millennials are worried about student loan debt, they were less likely than older groups to say that they would never be debt free. That might be because they feel they have time on their side, Schulz says.

In contrast, an older person taking out student loans to pay for a child or grandchild's college education may feel like they won't get to pay the debt off in their lifetimes. “It only makes sense that if you're 65 and have a bunch of debt you're probably thinking that you may end up outliving that debt,” Schulz says.

In debt indefinitely

Percentage of people with debt who say they will never be debt free, by age



Source: CreditCards.com

The Washington Post

Some people may expect that they'll be paying off debt for a while simply because some loans just take a long time to pay down. Mortgages are commonly issued as 30-year loans. People who consolidate their student loans also expect to be paying them for decades. And people are even stretching their auto loans.

Still, other studies show that more people are carrying debt into their older years. Consumers 60 and up saw their average debt loads increase for all types of loans between 2005 and 2014, including student loans, according to a study released by TransUnion in the fall. And more seniors are carrying student loan debt into retirement and having their Social Security wages garnished to cover the debt, according to a report from the Government Accountability Office released earlier this year.

Whatever the timeline, Schulz says people shouldn't give up on paying off their loans. People with high interest rates on their credit cards may be able to save money by applying for a card with a lower rate and then transferring the balance, he says. Others can call their credit card issuers and ask for a lower interest rate — a strategy that often works but that people rarely try.

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Part 2: Be Grounded in Scripture

We want to read and discuss passages of Scripture that help us understand the problem of interest rate lending.

Leader's Note: You might want to pick one Scripture or the other, based on your group's interest in Scripture, and based on how much time you have. If you send out the Participant's Guide beforehand, I recommend asking participants to read both, and reflect on the questions, to come ready to discuss.

Passages on Interest Rate Lending, New American Standard Bible

Introduction:

Here are a smattering of passages from Scripture which speak very critically about lending money at an interest rate.

Guiding Questions As You Read:

1. Why do you think God banned lending money with an interest rate?
2. In the reading from Leviticus 25, which we read in sessions one and two, we find God reminding Israel that He delivered them from Egypt. Why do you think God does that in the context of discussing interest-rate loans?
3. Why do you think God had to speak so often about it?
4. What does this suggest about the type of relationship God wanted to cultivate among His people?

Scripture:

²⁵If you lend money to My people, to the poor among you, you are not to act as a creditor to him; you shall not charge him interest. (Exodus 22:25)

³⁵Now in case a countryman of yours becomes poor and his means with regard to you falter, then you are to sustain him, like a stranger or a sojourner, that he may live with you. ³⁶Do not take usurious interest from him, but revere your God, that your countryman may live with you. ³⁷You shall not give him your silver at interest, nor your food for gain. ³⁸I am the LORD your God, who brought you out of the land of Egypt to give you the land of Canaan and to be your God... ⁴²For they are My servants whom I brought out from the land of Egypt; they are not to be sold in a slave sale... ⁵⁵For the sons of Israel are My servants; they are My servants whom I brought out from the land of Egypt. I am the LORD your God. (Leviticus 25:35 - 38, 42, 55)

¹⁹ You shall not charge interest to your countrymen: interest on money, food, or anything that may be loaned at interest. ²⁰ You may charge interest to a foreigner, but to your countrymen you shall not charge interest, so that the Lord your God may bless you in all that you undertake in the land which you are about to enter to possess. (Deuteronomy 23:19 - 20)

¹² In you [Jerusalem] they have taken bribes to shed blood;
you have taken interest and profits,
and you have injured your neighbors for gain by oppression,
and you have forgotten Me,"
declares the Lord God. (Ezekiel 22:12)

¹ O Lord, who may abide in Your tent?
Who may dwell on Your holy hill?
² He who walks with integrity, and works righteousness,
And speaks truth in his heart...
⁵ He does not put out his money at interest
Nor does he take a bribe against the innocent.
He who does these things will never be shaken. (Psalm 15:1 - 2, 5)

⁷ He who keeps the law is a discerning son,
But he who is a companion of gluttons humiliates his father.
⁸ He who increases his wealth by interest and usury
Gathers it for him who is gracious to the poor.
⁹ He who turns away his ear from listening to the law,
Even his prayer is an abomination. (Proverbs 28:7 - 9)

Questions for Discussion (Leader's Notes) (15 minutes)

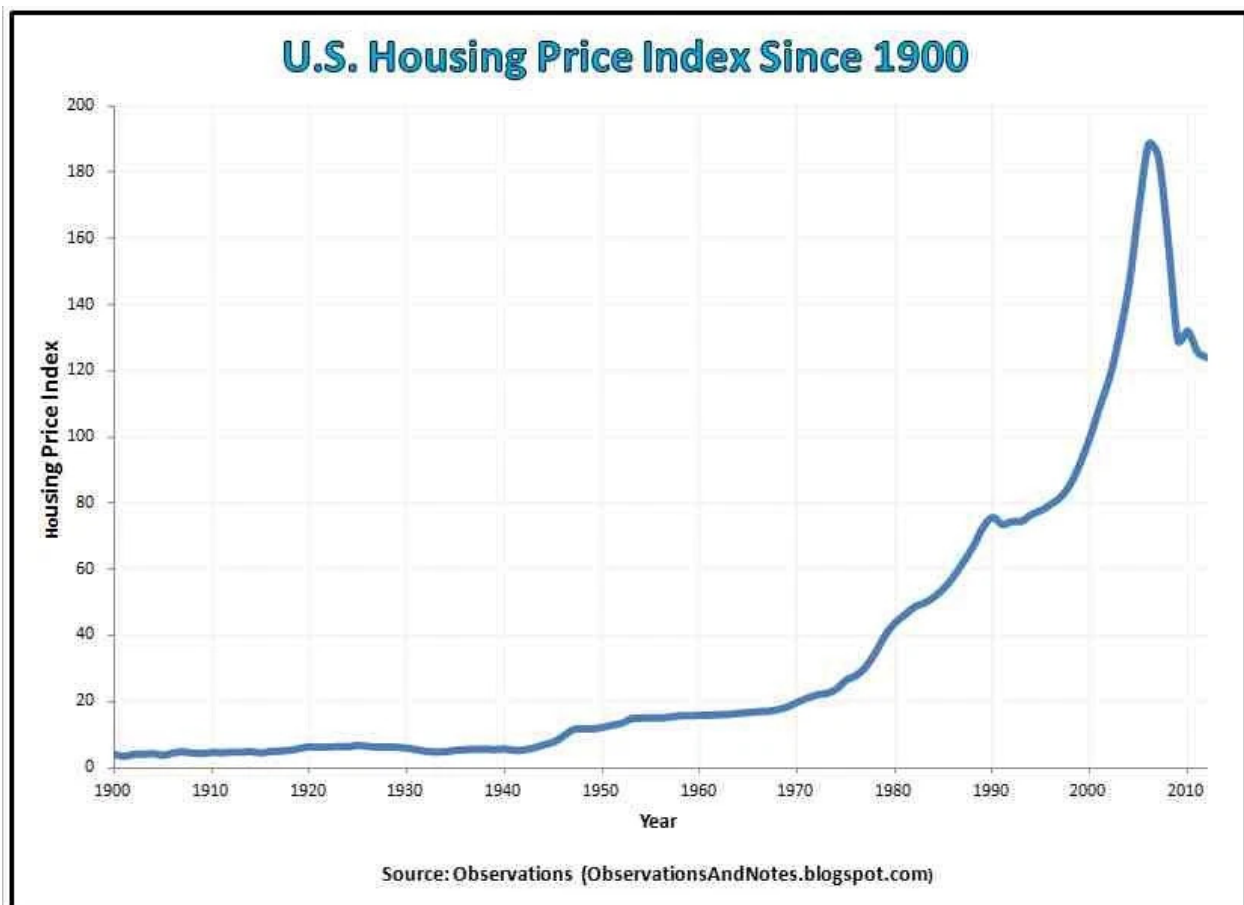
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Part 3: Economic Literacy -- Debt and Ballooning Prices At a Glance

Housing: Financing Mortgages and Price Inflation

- 1911: The average down payment for (new and existing) single-family houses in 22 cities was ~68% of the purchase price, and 46% of homes were acquired debt free.¹
- 1934: The New Deal's Federal Housing Authority started to insure bank mortgages for white borrowers. The FHA invented the 20 year mortgage, and covered 80 percent of purchase prices.²
- 1945: The GI Bill invented the 30 year mortgage.³
- 1974: Equal Credit Opportunity Act allowed banks to take 2 incomes into account.



¹ William J. Collins and Robert A. Margo, "Race and Home Ownership, 1900-1990," Vanderbilt University and NBER; http://cliometrics.org/conferences/ASSA/Jan_00/margo.shtml.

² Richard Rothstein, *The Color of Law: A Forgotten History of How Our Government Segregated America* (New York: W.W. Norton & Company, 2017), p.64 – 65.

³ Thomas W. Hanchett, "The Other 'Subsidized Housing': Federal Aid to Suburbanization 1940s-1960s", edited by John F. Bauman, Roger Biles and Kristin M. Szylvian, *From Tenements to the Taylor Homes: In Search of an Urban Housing Policy in Twentieth Century America* (University Park, PA: Pennsylvania State University Press, 2000), p.163 – 179.

Housing: Square Footage Over Time (Median, New Housing Built)

1950: 983 square feet
1960: ~1,200
1970: ~1,400
1980: 1,825
1990: 2,165
2000: 2,509
2010: 2,692
2019: 2,806

College Debt

“A report from the Federal Reserve Bank of New York suggests that federal student aid programs are doing more harm than good. When subsidized federal loans have the effect of “relaxing students’ funding constraints,” universities respond by raising tuition to collect the newly available cash.

The resultant tuition hikes can be substantial: The researchers found that each additional dollar of Pell Grant or subsidized student loan money translates to a tuition jump of 55 or 65 cents, respectively. Of course, the higher tuition also applies to students who don’t receive federal aid, making college less affordable across the board.”⁴

Medical Debt

As of 2018, Americans are \$1 trillion in medical debt.⁵ Because Americans are willing to go into debt despite insurance, drug companies charge higher prices and hospitals raise the price of care.

⁴ Bonnie Kristian, “Study: Federal Student Loans Increase Tuition, Not Enrollment,” *The Week*, July 7, 2015; <https://theweek.com/speedreads/565036/study-federal-student-loans-increase-tuition-not-enrollment>. David O. Lucca, Taylor Nadauld, and Karen Shen, “Credit Supply and the Rise in College Tuition: Evidence from the Expansion in Federal Student Aid Programs,” *Federal Reserve Bank of New York Staff Reports*, July 2015; https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr733.pdf.

⁵ Jerry Ashton, Robert Goff, Craig Antico, and Judah Freed, *End Medical Debt: Curing America's \$1 Trillion Unpayable Healthcare Debt* (Kauai, HI: Hoku House, 2018). See video news interview by Cenk Uyghur, “Medical Debt is Ravaging America,” *Rebel HQ*, January 4, 2019; <https://www.youtube.com/watch?v=oafQoH27fyQ>.

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Part 4: Personal Sharing About Debt

1. Do exercises from FDIC#8.
2. Arrange debts and interest rates. Use the debt calculator to figure out how much money you will pay over time: <https://www.calculators.org/debt/accelerated-payoff.php>.
<https://www.amortization-calc.com/mortgage-calculator/>.
3. If mortgage loans, calculate the impact of paying the principal more quickly.
4. What debt-consolidation strategies do people in the group know about? Share experiences.
5. Identify things you can borrow or use in common: cars; power tools; kitchen appliances like a stand mixer or air fryer or bread maker; etc. Or, parents can waterfall kids' clothes, shoes, and toys; etc.
6. Identify any emotional challenges that you compensate for via financial decisions: shopping habits; gambling; alcohol; overeating and other addictions; conflict avoidance in marriage and parenting; etc.