

# The Borrowing Wisdom Checklist

*Before you sign for any debt — run it through this first.*

*"The rich rule over the poor, and the borrower is slave to the lender."*

— Proverbs 22:7

Debt is not automatically evil — but it is never free, and it always transfers some of your freedom to someone else. Solomon does not forbid borrowing; he warns you to do it with your eyes fully open. This checklist is the gate every loan should pass through before it ever reaches your signature.

## 1 GOOD DEBT VS BAD DEBT

*The test is simple: does it buy something that grows, or something that shrinks?*

GENERALLY BUILDS YOU	GENERALLY DRAINS YOU
A mortgage on a home you can afford	Financing a depreciating car beyond your means
A loan for a skill that raises your income	Buy-now-pay-later on everyday wants
Low-rate finance on an appreciating asset	Credit-card balances carried month to month
Borrowing that replaces a costlier debt	Payday and short-term high-interest loans
A measured loan for an income-producing tool	Debt taken on from haste, status, or pressure

No category is absolute. A mortgage taken beyond your means is bad debt; a small loan for a money-making skill can be the wisest pound you ever borrow. The principle underneath: borrow for what appreciates or earns, almost never for what depreciates or merely entertains.

## 2 THE SEVEN QUESTIONS BEFORE ANY LOAN

*If you cannot answer all seven calmly, you are not ready to borrow.*

- Can I afford the repayment even if my income drops?**  
Stress-test against a bad month, not a good one. The lender is repaid regardless of your circumstances.
- What is the TRUE total cost over the full term?**  
Not the monthly figure — the sum of every payment minus what you borrowed. This is the real price.
- Is what I am buying going to appreciate or depreciate?**  
Borrowing to own more tomorrow is wisdom. Borrowing to own less tomorrow is a slow leak.
- Is there a cheaper or slower route to the same thing?**  
Could saving for three months replace borrowing for three years? Often the answer is yes.
- Am I borrowing from a plan, or from haste?**  
Proverbs pairs haste with poverty. Urgency manufactured by a salesperson is not your urgency.
- What happens if I cannot pay — what is at risk?**  
Secured debt can take your home or car. Know exactly what you are putting on the table.
- Have I read every line, including the rate after any intro period?**  
0% for six months can become 30% overnight. The wise read what the eager skip.

## 3 WHAT A LOAN REALLY COSTS

*Same borrowed amount, different terms — the total you actually repay (illustrative).*

## The Borrowing Wisdom Checklist — continued

BORROWED	RATE (APR)	TERM	ROUGHLY REPAID IN TOTAL
5,000	6%	3 years	~5,475
5,000	12%	3 years	~5,985
5,000	22%	3 years	~6,855
5,000	22%	5 years	~8,275
5,000	35%	5 years	~9,900

Two levers decide the true cost: the rate, and the length of time you carry it. A longer term lowers the monthly payment but quietly raises the total. Borrow at the lowest rate, over the shortest term you can genuinely afford.

### 4 RED FLAGS — WALK AWAY IF YOU SEE THESE

- Pressure to decide today, before you can think or compare
- The lender will not show the total cost over the term in writing
- The payment only works if you stretch the term to its maximum
- You are borrowing to repay other borrowing, with no plan underneath
- A guarantor or your home is required for a depreciating purchase

### 5 IF YOU ARE ALREADY OVER-BORROWED

*There is a way out, and it starts with seeing the whole picture.*

If debt already feels heavier than the plan above allows, do not borrow your way deeper. List every debt, its balance, and its rate. Attack the highest-rate debt first while paying minimums on the rest — the avalanche method. The free Debt Freedom Calculator at [howwisdom.com](http://howwisdom.com) runs the full payoff order and your debt-free date for you. If repayments are genuinely unmanageable, speak to a regulated debt adviser (StepChange in the UK, the NFCC in the US, Credit Counselling Canada) — free, confidential, and not a mark of failure.

*"Borrow rarely, borrow wisely, and never let the lender quietly become your master."*

— HOUSE OF WISDOM

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