

Loans to Friends

What would you do if you heard that someone who had been a close friend in high school had been diagnosed with cancer, was a single mom, and was down and out?

Here are some responses we've heard:

- “Do nothing. If she called me to ask for help, then I could consider responding, but it would depend on whether it was a current relationship for me. No need to rescue when not invited to do so.”
- “I would immediately send her, anonymously, \$5,000. No questions asked.”
- “I might check around and ask more about her situation from those who were more recently close to her, call her, talk and get information about what she said she needed, and then consider based on all that what to do. If she needed financial support, I might ask her about her options, and failing any, give some money but, better yet, I might organize a letter to our high school class and ask everyone to chip in.”
- “I would go check out what she needed. Often hands-on stuff, like helping with the kids, or phone calls, or bureaucratic red tape (like filling out all those terrible insurance and hospital forms) is just as helpful as sending a check, and I'd be more comfortable supporting these kinds of things.”

Being a giver presents new opportunities for both connection with others and isolation, for opening your heart and mind to the inequities around you or numbing your sense of compassion with guilt for having too much and fear of being

exploited. You can help make real change that is meaningful to you and others, that respects your sense of self as well as that of others, or you can become entangled in other people's problems, violating your own boundaries as well as theirs, and ultimately being effective for no one. Establishing your own boundaries, knowing your financial capacities, setting your goals, and developing your own budget or decision-making process before you're confronted with difficult decisions—all these steps help.

- I have one category in my budget called “life's dilemmas” and another called “donor's whim.” These give me permission to engage in real life's happenings, but also give me some boundaries for my own protection and self-respect.
- I feel a responsibility to learn to lend money to friends and nonprofits. The banks don't make lending decisions justly. I see it as part of my responsibility as a monied person, and I've come to enjoy it. Lots of people have been helped, and 98 percent of the loans have been trouble-free and have even deepened my trust with my friends.
- I had the best of intentions when I loaned my friends money, but in almost every case something went wrong. I can now see my own part in not sitting down and talking about expectations, mutual goals for the loans, and possible consequences, and not asking my friends how we might jointly handle communication and problem solving if they were not able to pay back the loans on time. I just wasn't ready to do all the negotiating and partnership required. I still feel that loaning money to people who need it is key, but I've decided to lend it to community loan funds to eliminate some of the personal complexities. (See “Resources” for more information on community development loan funds and micro-enterprise development funds.)

If you're going to make a loan, recognize that it is a business transaction and will be most successful if handled in a friendly but businesslike manner, which means written agreements about payback schedules and interest, if any. If this is uncomfortable for you, you might rather just give an outright gift. If you're decidedly opposed to giving loans, be sure you have a global statement that lets people know that. Saying, “I'm sorry, I make it a policy not to loan money to friends,” assures the person asking that this is not a personal rejection.

In addition, there are some emotional aspects to loaning money to friends that may not be present in loans to organizations. You might consider the following emotional features that come into play. Place an X at the point along each continuum you feel would best represent the impact of the transaction.

QUESTIONS CONCERNING LOANS TO FRIENDS

I	_____	_____
	am happy to help	feel obligated
Our relationship will be	_____	_____
	strengthened	weakened
I will feel I am	_____	_____
	affirming	rescuing
I will feel	_____	_____
	comfortable	ambivalent
I will feel	_____	_____
	useful	used