

# Money Lending Framework

## Relationship:

What is the relationship between lender and borrower?

- **Siblings.**
  - Lender and borrower are brother and sister, brothers, or sisters.
  - Somewhat common.
- **Grandparent to grandchild.**
  - A grandparent is lending to a grandchild.
  - Common.
- **Grandchild to grandparent.**
  - A grandchild is lending to a grandparent.
  - Rare.
- **Parent to child.**
  - Parent is lending to a child.
  - Common.
- **Child to parent.**
  - Child is lending to a parent.
  - Somewhat common.
- **Extended family.**
  - Lending outside of immediate family. Ex. niece to uncle.
  - Rare.
- **Family friend.**
  - Lending to a non-blood family member outside of immediate family.
  - Rare

What is the importance of the relationship?

- **Unimportant.**
  - Lender and borrower don't interact much.
- **Normal.**
  - Lender and borrower interact multiple times per year.
- **Important.**
  - Lender and borrower interact weekly.
- **Critical.**
  - Lender and borrower interact daily.

## Loan Purpose:

What is the purpose of the loan?

- **Medical.**
  - To pay medical expenses.
- **Emergency.**
  - To pay for an emergency.
- **Consumable.**
  - To pay for food, gas, or another consumable item.
- **Non-Consumable.**
  - To pay for a car, a house, a ring, or other non-consumable item.

Is the loan for an asset or a liability?

- **Liability**

- A liability costs money on a recurring basis and results in debt.
- Ex. Vacation, gambling, drinking.
- **Depreciating Asset**
  - An asset that decreases in value over time but does retain some value.
  - Ex. A car, a house remodel, a new TV, some businesses.
- **Appreciating Asset**
  - An asset that increases in value over time.
  - Ex. A house, land, gold, some businesses.

## Loan Amount:

What amount of money is being requested for the loan?

- **\$100**
  - Grocery money.
- **\$1,000**
  - Rent for the month.
- **\$10,000**
  - A car down payment.
- **\$100,000**
  - A house down payment.
- **\$1,000,000**
  - College or land.

## Borrower's Income Level:

How much money does the borrower make on a monthly basis?

- Less than \$1,000 (Annual: \$12,000)
- Less than \$2,000 (Annual: \$24,000)
- Less than \$4,000 (Annual: \$48,000)
- Less than \$8,000 (Annual: \$96,000)
- Less than \$16,000 (Annual: \$192,000)
- Less than \$32,000 (Annual: \$384,000)
- Less than \$64,000 (Annual: \$768,000)
- Less than \$128,000 (Annual: \$1,536,000)

How much does the borrower spend on a monthly basis?

- Less than \$1,000 (Annual: \$12,000)
- Less than \$2,000 (Annual: \$24,000)
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- Less than \$64,000 (Annual: \$768,000)
- Less than \$128,000 (Annual: \$1,536,000)

## Borrower's Assets:

What is the borrower's net worth (assets minus liabilities)?

- Less than \$1,000
- Less than \$10,000
- Less than \$100,000
- Less than \$1,000,000

- Less than \$10,000,000

Does the borrower have assets that can be easily sold?

- **Yes**
  - Stocks, Bonds, Crypto.
- **No**
  - House, Car, Land.

## Lender's Income Level:

How much money does the lender make on a monthly basis?

- Less than \$1,000 (Annual: \$12,000)
- Less than \$2,000 (Annual: \$24,000)
- Less than \$4,000 (Annual: \$48,000)
- Less than \$8,000 (Annual: \$96,000)
- Less than \$16,000 (Annual: \$192,000)
- Less than \$32,000 (Annual: \$384,000)
- Less than \$64,000 (Annual: \$768,000)
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- Less than \$1,000 (Annual: \$12,000)
- Less than \$2,000 (Annual: \$24,000)
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## Repayment Terms:

What are the repayment terms of the loan?

- **No repayment (gift).**
  - No expectation of the money being returned at any point in the future.
- **Repay whenever.**
  - The loan is expected to be repaid at some point but with no specific target date.
- **Repay by a certain date.**
  - The loan is expected to be repaid by a specific date.
- **Repay with interest whenever.**
  - The loan is expected to be repaid with interest and with no specific target date.
- **Repay with interest by a certain date.**
  - The loan is expected to be repaid with interest by a specific target date.

## Repayment Timeline:

When does the loan need to be paid back?

- **No repayment (gift).**
  - The loan is not expected back.
- **No date.**
  - The loan is expected back at some point in the future.
- **No date but with regular payments.**
  - The loan is expected back at some point in the future with regular payments being made in the present.
- **By target date.**
  - The loan is expected to be paid back by a specific date.

## Collateral:

What will be offered up as collateral for the loan?

- **Nothing.**
  - No collateral will be provided for the loan.
- **The object of purchase.**
  - Whatever was purchased will act as collateral.
- **Some other unrelated asset.**
  - Another asset different from what was purchased will act as collateral.

## Failure To Repay Contingency:

What happens if the loan is not repaid?

- **Forgiveness.**
  - The loan is forgiven and converted into a gift.
- **Forfeiture of collateral.**
  - The object used as collateral is forfeited to the lender.
- **Forfeiture of another asset.**
  - Another asset is forfeited to cover the cost of the loan.
- **Eventual inheritance.**
  - Upon the passing of the borrower, the lender gets recompense from the estate of the borrower.
  - Occurs when parents or grandparents borrow from children who will outlive them provided assets exceed liabilities.

## Relationship Plan in The Event Something Goes Wrong:

What will happen to the relationship in the event that the loan is not repaid?

- **Nothing.**
  - Ex. Failure to repay gift or amount that is insignificant to the lender.
- **There would be tension.**
  - Ex. Failure to repay amount that is significant to the lender or misusing the funds.
- **The relationship would likely fall apart.**
  - Ex. Failure to repay a massive amount or dishonesty about use of the funds.