

Personal Borrowing Decision Framework

Instructions: This template will help you develop a personalized framework for making borrowing decisions. Complete each section thoughtfully to create a guide you can refer to when considering loans in the future.

1. My Borrowing Philosophy

Write a brief statement about your overall approach to borrowing money. Consider your values, goals, and attitude toward debt.

Think about: Is borrowing something you want to avoid whenever possible, or do you see it as a tool for achieving goals? What principles will guide your borrowing decisions?

2. Appropriate Reasons for Borrowing

List specific purposes for which you would consider borrowing money, and explain why borrowing makes sense in these cases.

Purpose	Why Borrowing May Be Appropriate

3. When I Will Avoid Borrowing

Identify situations or purposes for which you will avoid taking on debt, and explain your reasoning.

Purpose	Why I Will Avoid Borrowing

4. My Decision Criteria

List the specific factors you will evaluate when making a borrowing decision, in order of importance.

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7.
8.

Consider factors like: interest rate, total cost, monthly payment, loan term, type of credit, purpose of loan, alternatives to borrowing, etc.

5. My Personal Borrowing Limits

Set specific boundaries for your borrowing to ensure it remains manageable.

Maximum Debt-to-Income Ratio I'll maintain:	
Maximum percentage of monthly income for all debt payments:	
Minimum credit score I'll maintain:	

Maximum interest rate I'll accept for any loan:	
Other personal limits:	

6. Cost Minimization Strategies

List specific strategies you'll use to minimize borrowing costs when you do need to take a loan.

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Examples: shopping around for best rates, making larger down payments, choosing shorter loan terms when affordable, making bi-weekly payments, etc.

7. My Pre-Borrowing Checklist

Create a checklist of questions to ask yourself before taking out any loan.

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- ☐ _____
- ☐ _____
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Examples: Have I considered all alternatives? Is this purchase/expense truly necessary? Can I delay this purchase until I can save more? How will this debt affect my other financial goals?

8. My Framework Review Plan

Specify when and how you'll review and update this framework as your financial situation changes.

Remember: This framework is personal to you and should reflect your values and financial goals. Refer back to it whenever you're considering taking on debt to ensure you make consistent, well-reasoned borrowing decisions.