

**PRESBYTERY OF THE
TWIN CITIES AREA
LOAN PACKET
CONSTRUCTION
AND REMODELING**

Adopted by the Board of Trustees on October 18, 2005.

Synod contact information updated December 2005.

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I. **INTRODUCTION**

Congregation loans require the approval of both the Board of Trustees (BOT) and the Presbytery before the project can begin. This manual includes copies of background materials, sample documents, a summary of the procedures you will need to follow, and the loan application.

Please direct any questions for the Board of Trustees to trustees@ptcaweb.org

II. **PROCEDURE FOR LOAN APPLICATION**

The BOT will review and the Presbytery will approve (or disapprove) your loan application with its mission component after your session votes to start your building or improvement project and approval by your congregation. Your congregation must submit the application contained in this packet for approval if the congregation will be seeking financing from any source – i.e. the General Assembly, the Synod of Lakes and Prairies, a local bank, or some other lender.

The Procedure follows:

1. Session approves forming a committee to develop the building plan, which shall include a mission component, based on the Vision Statement for Equal Giving (See Section III).
2. Session approves plan, including the mission component. Inform Presbytery of the project early in your planning, so that you can be assigned a liaison with the BOT to communicate with you about BOT actions, and respond to questions about the application process. Representatives from your church should schedule a meeting with the BOT to discuss your preliminary plans.
3. Church holds its meeting and votes on the proposal. Sample documents for your congregation are found in Section IV of this manual. **Page 18)** (
4. Church submits loan application with the mission component and supporting documents to the BOT for review. The supporting documents, which are required with the application, are listed on **page 8** of this packet. These need to be submitted at least 14 days prior to the BOT meeting for review and distribution.

A Board of Trustees liaison will review the application and return it to you if the Board of Trustees needs additional materials before acting.

5. Church representatives meet with the BOT. The Board will inform the Church of its action shortly after its meeting.

6. Presbytery votes on the loan application of the Building/Mission Plan. After you obtain approval from the BOT, your application will be submitted to the Presbytery for review at the next Stated Meeting. **Presbytery approval is required before the project can begin.**
7. Project begins.

III. **LOAN SOURCES**

BANK LOANS

Many congregations find that local banks will provide loans at a very competitive rate.

SYNOD LOANS

If you will be seeking a loan from the Synod of Lakes and Prairies as part of your financing on this project, please contact the Synod's Treasurer immediately to begin the Synod loan application process: 651-357-1140 (toll free 1-800-328-1880); 2115 Cliff Drive, Eagan, MN 55122-3327. Synod loans are available for up to \$200,000. (Please see **page 20** for Synod Loan Policies.)

CHURCH LOAN PROGRAM

The General Assembly has loans available

The following guidelines may be used to determine the amount of funds which your congregation should be able to borrow through this program:

- A. A maximum of three times its annual budget
- B. \$3,000 per giving unit
- C. Loan coverage should be at least 1.35 using the available funds from giving and a 20-year amortization of the loan.

The General Assembly loan application is available online

<https://pilp.pcusa.org/resources-presbyteries/>. You may also call 1-800-903-7457 to request the application.

GUARANTEE FOR SYNOD AND GENERAL ASSEMBLY LOANS

The Presbytery of the Twin Cities will guarantee loans of all member churches seeking funding from PC(USA) and the Synod of Lakes and Prairies that have completed the loan package of the Presbytery, have complied with all requirements of the Presbytery, have granted to Presbytery a subordinate mortgage to secure such guarantee and are deemed financially able to repay such mortgages and encumbrances.

PRESBYTERIAN INVESTMENT AND LOAN PROGRAM

The PILP loan program has loans available at competitive rates. The program requires that the congregation and/or members of the congregation invest an amount equal to at least 20% of the loan amount in PILP term notes. If the investment is more than 20% of the loan amount, the congregation is eligible for an interest rebate on the loan. Information

concerning PILP loans may be obtained on their website: www.pcusa.org/pilp/ or by phone 1/800-903-7457, or through the Synod Treasurer at 651-357-1140.

IV. VISION STATEMENT FOR EQUAL GIVING

The Presbytery of the Twin Cities Area strongly encourages member churches to match their operating and capital budgets with equal amounts for mission.

RATIONALE

40,000 affordable housing units are needed in the Twin Cities. 6,300 people sleep in shelters or on the streets of our state every night, 4,863 of them in the Twin Cities.

Why not match the square footage of our new buildings with an equal square footage of affordable housing?

Jesus told us to reach out to “the least of these.” Surely, we can build for others at the same time that we build for ourselves.

Soup kitchens, teen centers, playgrounds, scholarships, early-childhood programs, self-development projects—there is no end to the good we can do with our mission dollars. Overseas we can fund loans for start-up small businesses, bring primary education where there is none, and build the 2,000 homes invented by the member of Christ Presbyterian in Edina.

It is argued, of course, that we are already building for others through our benevolence funds. But we do so minimally. The average church in the Presbytery gives only 14% of its income to mission. This means that 86 cents of every dollar is already being spent on ourselves, with very little thought to “the least of these.”

It is argued that giving the same to others as we spend on ourselves is too much. But it isn't. We all know that it isn't. We can never give enough to help the hurting people in and beyond the bounds of our presbytery. What does Jesus ask of us?

It is argued that building for others is the job of the government and developers. Of course it is, but they are not getting the job done. Witness the 40,000 and 6,300.

It is argued that building for others is the job of our taxes. But our taxes aren't providing enough. What are we to do, wash our hands of thousands of God's homeless who need us?

It is argued that we can never do enough, that the problems are too great, that anything we did would only be a drop in the bucket. But it takes all the drops to fill the bucket. Throwing up our hands at the immensity of the world's problems is simply to deny Christ's call to pick up the people by the side of the road.

It is argued that equal giving is hopelessly idealistic, that it can never be done. But it can be done. It has been done. One church in the presbytery scaled back its plans, built its

sanctuary, and raised more for mission than it raised for capital. It then kept the principle of one-for-one giving in the annual budget, where it has remained for 35 years.

It is argued that building a building in 2001 costs more than it did 35 years ago. But it doesn't. The costs are all relative. Indeed, as a percentage of personal income, church construction was .26% in 1965 and only .11% in 1998.

It is argued that only rich suburban churches can equal a building budget and an operating budget with a mission budget. But it's not a matter of being rich or poor. It's a matter of being challenged by Jesus and rising to the occasion. If "rich" suburban and urban churches are doing the building, let them lead the way. Perhaps if they had, we would not have had to close four inner-city churches in the last two years.

It is argued that building a building already serves others. Of course it does. But too often the "others" are simply our own church members, which is fine as far as it goes. But does it go far enough? Aren't we called to transcend every parochialism and reach out to the "least of these," some of whom are in our own parishes, yes, but many of whom are well beyond our own parishes?

"The least of these" beyond our own borders are too easily forgotten. We simply forget that 40,000 affordable homes are needed. We forget that 4,900 people sleep in shelters and viaducts. We forget that the single greatest need in the developing world is education. That should bother us. And if it doesn't bother us, what, then, is our calling as Christians?

What does it mean to bear the cross? What does it mean to feed the hungry, clothe the naked, and house the homeless?

Is not this the fast that I choose:
to loose the bonds of injustice,
to undo the thongs of the yoke,
to let the oppressed go free . . . ?
Is it not to share your bread with the hungry,
and bring the homeless poor into
your house . . . ? (Isa. 58. 6-7)

We can achieve equal giving in our building funds and operating budgets. With God's grace it can happen. When it happens, it is God's grace, because we could never do it on our own. With God's grace, we can give our communities the symbols of sacrifice they are yearning for, and we can give them in the name of the One who sacrificed all for us. The world can see Jesus because of us.

We can also give such symbols of sacrifice to presbyteries around the country. We can show them that if one presbytery can encourage its churches to do equal giving, other presbyteries can as well. And we can give them examples of churches that are actually doing the equal giving. In this way, other churches can take heart and needs can be met that church members never dreamed of meeting before.

What the world is crying for is local churches as Suffering Servants, presenting, for all to see, the image of Christ.

Adopted by the Presbytery at its Stated Meeting on January 12, 2002

V. LOAN APPLICATION

A. Supporting Materials

1. Mission Strategy Statement

- a. Describe how this proposed building project or site purchase fits into the presbytery's strategy for congregational development (for the presbytery).
- b. Describe briefly the specific goals and objectives of the congregation for the next twelve months.
- c. Describe briefly the nature/scope of the proposed building project or site purchase; how will the proposed building facilitate the implementation of the congregation's goals and objectives?
- d. How will the design of this proposed building project respond to the needs of the persons with disabilities? How will the proposed building respond to the need for improved stewardship of the earth's natural resources and to the need for more efficient use of energy?

2. Information concerning the congregation

- ___ Financial statements for the last 3 years (balance sheet, income and expenses) [signed by church treasurer/bookkeeper].
- ___ List of church cash and other assets not disclosed in financial statements (value of \$1000.00 or more).
- ___ Current operating statements
- ___ Current year's annual budget
- ___ Proposed budget after project
- ___ Proposed repayment plan
- ___ Copy of church Bylaws with certification
- ___ Copy of Articles of Incorporation with certification
- ___ State Certificate of Corporate Good Standing of Articles of Incorporation
- ___ Certificate of Insurance for current coverage should include the those recommended by the PCUSA (see www.pcusa.org for information about the types and amounts of coverage recommended)

3. Information Concerning this Project

- ___ Congregation meeting call
- ___ Congregation resolution (certified)
- ___ Signed and returned copy of Commitment Letter
- ___ Title Commitment
- ___ Mortgage
- ___ Promissory Note
- ___ Evidence of zoning and building code compliance
- ___ Evidence of liability and fire insurance coverage (naming the lender as additional insured, loss payee & mortgagee)
- ___ Property survey (if required to lift exceptions to title insurance)
- ___ Environmental Assessment Checklist or Phase I Environmental Audit (if required by lender)
- ___ Legal description of property
- ___ Copy of current deed to the property, if owned by the church or Presbytery
- ___ Architect's drawings (file size please), showing floor plan and elevation
- ___ Copy of the construction contract when available (must have contract before closing)
- ___ Payment and Performance bonds
- ___ Builder's risk insurance (purchased by ___ contractor or ___ congregation)
- ___ Copy of contractor's license

B. Loan Application

CONSTRUCTION LOAN APPLICATION

Corporate Name of Church _____

Address _____

County _____ City _____ State _____ Zip _____

Phone(____) _____ Fax(____) _____ E-mail: _____

CONTACT INFORMATION

Congregation Representative: (We will contact this person concerning scheduling, documents, and approval status)

Name _____

Mailing Address _____

Title _____ Phone(____) _____

Fax _____ E-mail _____

Pastor:

Name _____

Home Address _____

Home Phone(____) _____ Office Phone(____) _____

At church since _____ E-mail _____

Clerk of Session:

Name _____

Mailing Address _____

Home Phone(____) _____ Office Phone(____) _____

E-mail _____

Applicant's Attorney:

Name _____

Mailing Address _____

Phone(____) _____ Fax(____) _____ E-mail: _____

PURPOSE OF LOAN (check all that apply):

Purchase:

_____ Sanctuary

_____ Christian Education Building

_____ Multi-purpose Building

_____ other _____

Renovation, Repairs:

_____ Sanctuary _____ Christian Education Building
_____ Multi-purpose Building

Who holds the title to the church property? _____ the church; _____ the Presbytery

Will all church property serve as collateral for Loan? _____ yes _____ no (if no, please explain on separate page).

Church/project formerly known as _____ in the city of _____

Date church was (or is to be) organized _____

TYPE OF CHURCH (check all that apply):

_____ New Church Development (10 years or less)
_____ Redevelopment _____ Urban
_____ Rural/small town _____ Suburban
_____ Federated _____ Union

TIME LINE

Desired loan closing date _____ Date Construction to begin _____
Date loan proceeds needed _____ Expected completion date _____

CHURCH INSURANCE INFORMATION

Agent Name & Agency _____
Phone(____) _____ Fax(____) _____ E-mail: _____
Current replacement value coverage \$ _____ Current liability coverage \$ _____
Estimated value of land \$ _____ Number of Acres _____

COMMUNITY DEMOGRAPHIC INFORMATION

What is the radius of the area served by your congregation in miles? _____
What is the current population of the area served by your congregation? _____
Projected growth in 5 years? _____
Factors expected to contribute to the growth of your congregation (cite source of your information) _____

What is the economic base of the area served by your congregation? _____

CHURCH STATISTICAL INFORMATION

Active members on the church roll (past five years)

20__ 20__ 20__ 20__ 20__

Average Attendance (past five years)

20__ 20__ 20__ 20__ 20__

Expected Membership Growth

One year _____ Three years _____ Five years _____

Pledge Information

Number of possible pledging units in church _____

Number that actually pledge _____ Percent that pledge _____%

Average Pledge _____

Average age of membership _____ % under 45 years _____; % 45-65 _____; % over 65 _____

Financial Information (from Annual Statistical Report) for Past 3 Years:

Receipts:	20__	20__	20__
Contributions from pledges	_____	_____	_____
Contributions (other)	_____	_____	_____
Capital and building fund	_____	_____	_____
Investment and endowment income	_____	_____	_____
Bequests	_____	_____	_____
Other income (from _____)	_____	_____	_____
Subsidy or aid	_____	_____	_____
Total Receipts	\$_____	\$_____	\$_____

Expenditures:			
Local program (operating expenses)	_____	_____	_____
Local Mission	_____	_____	_____
Capital expenditures	_____	_____	_____
Investment expenditures	_____	_____	_____
Per Capita expenses	_____	_____	_____

*Presbytery/Synod/GA _____
 Theological education fund _____
 Other Mission _____
Total Expenditures \$ _____ \$ _____ \$ _____

*Includes unified giving, GA approved special offerings, and Presbytery approved mission giving.

Church Building and Mission Fund Campaign

Total amount pledged to this campaign \$ _____

Campaign pledge period from (date) _____ to (date) _____

Number of pledges _____ Average pledge \$ _____

Campaign directed by Church Financial Campaign Service? ____yes ____no

If no, name of campaign program? _____

Do you have an active follow-up program? _____

Do you have an active program for soliciting building and mission fund pledges from new members? ____yes ____no

Are future Building Fund Campaigns planned? ____yes ____no

If yes: from _____ to _____ from _____ to _____

Projected New Loans to Fund This Project

<u>Lender</u>	<u>Amount</u>	<u>Anticipated Interest Rate</u>	<u>Years</u>	<u>Monthly Payments</u>	<u>Maturity Date</u>
_____	_____	____%	____	_____	_____
_____	_____	____%	____	_____	_____
Totals:	\$ _____			\$ _____	

Current Mortgage Debt

<u>Lender</u>	<u>Original Amount</u>	<u>Current Balance</u>	<u>Monthly Payments</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
_____	_____	_____	_____	___/___/___	____%
_____	_____	_____	_____	___/___/___	____%
Totals:	\$ _____		\$ _____		

Financial Plan

Construction, renovation or addition

Size: _____ square feet Cost per square foot \$ _____

1. Construction contract price (check one: ___ estimated ___ firm) \$ _____
 2. Architect's fees \$ _____
 3. Furnishings, equipment, parking, insurance (10% of contract
Price suggested) \$ _____
 4. Other anticipated expenses \$ _____
- Total Project Cost (Add lines 1-4)** \$ _____

Resources to Fund Project

Church's Cash and Pledge Resources

1. Cash on hand – from building fund pledges \$ _____
2. Cash on hand – from other sources \$ _____
Specify cash source _____
3. Cash already expended on the project \$ _____
4. Additional funds to be received from building/mission
campaign before completion of project \$ _____

Gifts and Grants

5. Presbytery gifts and grants \$ _____
6. Synod gifts and grants \$ _____
7. Other gifts and grants (i.e. private donations, etc.) \$ _____

Loans

8. Bank (commercial)
Mortgage loan ___ years at ___ % interest \$ _____ mo/pmt \$ _____
 9. Synod loan ___ years at ___ % interest \$ _____ mo/pmt \$ _____
 10. PILP loan ___ years at ___ % interest \$ _____ mo/pmt \$ _____
 11. Church loan program ___ years at ___ % interest \$ _____ mo/pmt \$ _____
- Total Resources (Add lines 1-11)** \$ _____

For office use:

Application Date: _____ Date received by PTCA Office: _____

Date reviewed by Board of Trustees: _____ Term of Loan: _____

Action taken: _____

VI. **BOOK OF ORDER**

Introduction: The Book of Order contains the following sections which govern the acquisition, use, encumbrance, sale, and lease of church property. They are reprinted here for your information.

<p>G-4.0203 Church Property Held in Trust</p>	<p>All property held by or for a congregation, a presbytery, a synod, the General Assembly, or the Presbyterian Church (U.S.A.), whether legal title is lodged in a corporation, a trustee or trustees, or an unincorporated association, and whether the property is used in programs or a congregation or of a higher council or retained for the production of income, it is held in trust nevertheless for the use and benefit of the Presbyterian Church (U.S.A.)</p>
<p>G-4.0101 Incorporation and Power</p>	<p>Where permitted by civil law, each congregation shall cause a corporation to be formed and maintained. If incorporation is not permitted, individual trustees shall be elected by the congregation. Any such individual trustees shall be elected from the congregation’s members in the same manner as those elected to the ordered ministries of deacon and ruling elder. Terms of service shall be governed by the provisions of G-2.0404.</p> <p>The corporation so formed, or the individual trustees, shall have the following powers; to receive, hold, encumber, manage, and transfer property, real or personal, for the congregation, provided that in buying, selling, and mortgaging real property, the trustees shall act only after the approval of the congregation, granted in a duly constituted meeting; to accept and execute deeds of title to such property, to hold and defend title to such property; to manage any permanent special funds for the furtherance of the purposes of the congregation, all subject to the authority of the session and under the provisions of the Constitution of the Presbyterian Church (U.S.A.). The powers and duties of the trustees shall not infringe upon the powers and duties of the session or the board of deacons.</p> <p>Where permitted by civil law, each presbytery, synod, and the General Assembly shall cause a corporation to be formed and maintained and shall determine a method to constitute the board of trustees by its own rule. The corporation so formed, or individual trustees, shall have the following powers; to receive, hold, encumber, manage and transfer property, real or personal, for and at the direction of the council.</p>
<p>G-4.0204 Property Used Contrary to Constitution</p>	<p>Whenever property of, or held for, a congregation of the Presbyterian Church (U.S.A.) ceases to be used by that congregation as a congregation of the Presbyterian Church (U.S.A.), in accordance with this Constitution, such property shall be held, used, applied, transferred, or sold as provided by the presbytery.</p>

G-4.0205 Property of a Dissolved or Extinct Congregation	Whenever a congregation is formally dissolved by the presbytery, or has become extinct by reason of the dispersal of its members, the abandonment of its work, or other cause, such property as it may have shall be held, used, and applied for such uses, purposes, and trusts as the presbytery may direct, limit, and appoint or such property may be sold or disposed of as the presbytery may direct, in conformity with the Constitution of the Presbyterian Church (U.S.A.)
G-4.0206a Selling, Encumbering, or Leasing Church Property	A Congregation shall not sell, mortgage, or otherwise encumber any of its real property and it shall not acquire real property subject to an encumbrance or condition without the written permission of the presbytery transmitted through the session of the congregation.
G-4.0206b Selling, Encumbering or Leasing Church Property	A congregation shall not lease its real property used for purposes of worship, or lease for more than five years any of its other real property, without the written permission of the presbytery transmitted through the session of the congregation.

Two sections of the Book or Order deal with organization of local congregations. Those sections state:

1. Where permitted by civil law, each congregation shall cause a corporation to be formed and maintained.
2. The corporation so formed, or the individual trustees, shall have the following powers; to receive, hold, encumber, manage and transfer property, real or personal, for the congregation, provided that in buying, selling and mortgaging real property, the trustees shall act only after the approval of the congregation, granted in a duly constituted meeting; to accept and execute deeds of title to such property; to hold and defend title to such property; to manage any permanent special funds for the furtherance of the purposes of the congregation, all subject to the authority of the session and under the provisions of the Constitution of the Presbyterian Church (U.S.A.). The powers and duties of the trustees shall not infringe upon the powers and duties of the session or the board of deacons.

Book of Order G-4.0101

Your congregation should review its form of incorporation to determine the applicable state statutes which you must follow for adopting appropriate resolutions to obtain your loan.

VII. **SAMPLE DOCUMENTS**

A. **Certificate**

CERTIFICATE

I hereby certify that:

1. I am the duly elected Clerk of Session of _____ Presbyterian Church of _____
(Church Name)
_____, a _____ religious corporation (the "Church").
(City or Town) (State)

2. At a meeting of the Session of the Church duly called and held at _____ on _____
(Time)
_____, _____, _____, the resolution attached
(Day) (Month and Date) (Year)
hereto as Exhibit A were duly adopted by an unanimous vote of those in attendance.

3. At a meeting of the congregation of the Church held at _____ on _____
(Time)
_____, _____, _____, of which notice was given
(Day) (Month and Date) (Year)
from the pulpit and in the weekly bulletin on the two previous Sundays, the resolution
attached hereto as Exhibit A were duly adopted by a vote of the members of the Church
(_____) votes in favor, (_____) opposed and (_____) abstaining).
(Number) (Number) (Number)

IN WITNESS WHEREOF I have set my hand this _____ day of _____, _____.
(Month) (Year)

(Signature of Clerk of Session)

(Typed Full Name of Clerk of Session)

Clerk of Session

B. Session Resolution

Church Name of
City or Town Name, by the
Session and Congregation on
Month, Date Year

WHEREAS, _____ PRESBYTERIAN CHURCH OF _____
(Church Name) (City or Town)
(the "Church") appointed a Building Committee to develop a proposal for _____
(Purpose e.g. CE Addition)
to the church; and

WHEREAS, the Building Committee at its meeting on _____, _____, made its
(Month and Day) (Year)
recommendation to the Session and the congregation that the church proceed with a project
to _____ generally in accordance with preliminary
(i.e. construct an approximately 2,500 square foot addition)
drawings prepared by _____, dated _____, _____ with all the
(Architectural Firm, Inc.) (Month and date) (Year)
alternatives (an estimated building cost of \$ _____) with a goal to have _____ in the
(Amount) (Groundbreaking)
_____ of _____ and completion of _____
(Winter, Spring, Summer, Fall) (Year) (Construction)
by the _____ of _____; and
(Winter, Spring, Summer, Fall) (Year)

WHEREAS, the Building Committee, after conducting a capital campaign, has a building fund
balance on hand of about \$ _____, and pledges over three years beginning in
(Amount)
_____, _____ totaling \$ _____ (including a benefactor gift
(Month, Day) (Year) (Amount)
of \$ _____ to be paid by _____) and can apply to the
(Amount) (Month and Day) (Year)
Synod of Lakes and Prairies of the Presbyterian Church (U.S.A.) for a _____% _____ mortgage
(%) (1st, 2nd)
loan of up to \$ _____ repayable over _____ years to finance the balance of the
(Amount) (#)
_____ cost while pledge payments are being received (with some remaining balance
(Name of Project i.e. Building)
owing at the end of the pledge payment period).

NOW THEREFORE, BE IT RESOLVED that the Session/congregation approves a project to

_____ to the church generally in accordance with
(i.e. Build an approximately 2,500 square foot addition)
the preliminary drawings of _____, dated _____, _____ with a total
(Architectural Firm, Inc.) (Month and Date) (Year)
construction cost not to exceed \$_____.
(Amount)

FURTHER RESOLVED that the Session/congregation authorize the church to borrow up to
\$_____ from the Synod of Lakes and Prairies of the Presbyterian Church (U.S.A.) at an
(Amount)
interest rate of _____ percent per annum to be amortized monthly over _____ years and to be
(#) (#)
Secured by a _____ mortgage on the church property on _____, _____, _____ namely
(1st, 2nd) (Street name) (City or Town) (State)
The following described premises lying and being in the County of _____, State of _____,
Legally described as follows, to-wit:

Insert legal description here, without the box, indented at both ends so as to be read as a separate quote from the other text.

FURTHER RESOLVED, pending receipt and approval of the loan application by the Presbytery of the Twin Cities Area and the synod, the Building Committee be authorized to incur additional design and engineering fees with _____ (and its subcontractor,
(Construction Company)
_____) up to \$_____ to be paid from the building fund to complete
(Name of Sub-contractor) (Amount)
final working drawings for the project.

VIII. **Synod of Lakes and Prairies Loan Policies**

**LOAN POLICIES AND GUIDELINES
THE SYNOD OF LAKES AND PRAIRIES
PRESBYTERIAN CHURCH (U.S.A.)**

October 5, 2010

- I. Synod Loan Fund
- II. Purpose
- III. Eligible Borrowers
- IV. Limitations
- V. Terms
- VI. Application Process
- VII. New Church Development
- VIII. Disbursement of Loan Funds
- IX. Guidelines for Staff Equity-type Loans
- X. Guidelines for Other Loans to Individuals
- XI. Bridge Loans
- XII. Administration
- XIII. Effective Date

I. Synod Loan Fund

The Synod of Lakes and Prairies of the Presbyterian Church (U.S.A.) (“Synod”) has established a loan fund known as the Capital Loan Fund.

II. Purpose

The purpose of the Capital Loan Fund is to assist eligible borrowers to acquire or improve real property. This includes acquisition of real estate for building sites for church uses, construction of new buildings, renovation and improvement of existing structures and mortgage assistance for certain eligible staff. The Capital Loan Fund ordinarily shall not be used for institutional programs or operating expenses.

The primary consideration for loan approval is the borrower’s ability to repay the loan. It is not being kind to the borrower to approve a loan that has a poor chance of full repayment. This is not the only consideration for loan approval, however. The Synod believes that churches that request assistance (in the form of loans) from the denomination should also be generous supporters of Presbyterian mission. The funds available for loans are made possible by the generosity of Presbyterians in past generations. The Synod believes it is only fitting that we honor their gifts by making loans available to churches that participate in the connectedness that is one of the basic tenets of being Presbyterian. The Synod does not have any hard-and-fast requirements for mission giving, but will look on each case individually.

III. Eligible Borrowers

Preference is given in the following order, based upon availability and/or projected availability of funds:

- A. Presbyterian churches and presbyteries within the bounds of the Synod for the acquisition of sites, the construction, maintenance, and renovation of church buildings, educational units, and dwellings owned by churches to house ministers. Priority will be given to churches that are unable to secure commercial loans and depending on the importance of the project to presbytery mission.
- B. Property owned, in whole or in part, by the Synod.
- C. Subsidiary and affiliated entities of the Synod or presbyteries, provided that there is adequate oversight and that the parent body assumes liability and responsibility for the loan.

- D. Regular Synod executive, administrative, and program staff, executives of presbyteries of the Synod and other persons called to positions by a presbytery of the Synod who are required to relocate their residence for the benefit of the Synod or presbytery. Loans to persons called to positions by a presbytery will be made upon request of the presbytery and certification that presbytery funds are not available for this purpose. Interim and temporary staff are not eligible.
- E. Called pastors or associate pastors of churches within the Synod who are required to relocate their residence for the benefit of the church, upon request of the Executive/General Presbyter and/or the Presbytery's Committee on Ministry, including verification that the Presbytery does not have funds for this purpose. Interim and temporary positions are not eligible.

IV. Limitations

- A. Documentation of the ability of the borrower to repay the loan is required.
- B. The Finance Committee is authorized to set limitations on the maximum loan to any one entity so long as the maximum is no more than 5% of the total fund balance in the Loan Fund.
- C. In the event a property is sold, or the congregation dissolved, or the property ceases to be used for Presbyterian Church (U.S.A.) mission purposes, the loan is immediately due and payable in full.

V. Terms

- A. Interest rate

The interest rate shall be determined from time to time by the Synod. Synod may choose to establish a lower interest rate for loans of a term less than the maximum allowed under this policy. The interest rate for a particular loan shall be set at the time of loan approval and shall ordinarily remain in effect for the term of the loan or ten (10) years, whichever is less. Renegotiation of the interest rate and other terms will be considered by Synod if requested by the borrower. Renegotiation of the interest rate will not be approved more than once every ten (10) years. If a lower interest rate is granted, ordinarily the monthly payment will remain the same, and the Synod will reserve the right to raise the

interest rate to not more than the rate in the mortgage note if the Synod raises interest rates to new borrowers.

B. Term

The maximum term for an interest rate shall ordinarily be ten years. Terms longer than ten years may be approved with an interest rate adjustment due at the end of ten years. In such cases, the Synod will extend the loan for a similar term at the interest rate in effect at that time, if the borrower has made payments in agreement with the terms of the loan during the first ten years.

C. Amortization

All loans shall normally be amortized on a monthly basis, except as otherwise provided. Ordinarily, amortization periods will not be longer than 20 years.

D. Security

Ordinarily, loans exceeding \$100,000.00, except Bridge Loans as authorized in this policy, shall be secured by a mortgage/deed of trust on premises owned by the borrower, unless authorized by Synod as a specific exception to this policy. The Synod may require a guarantor or other security in specific cases.

E. Priority

The Synod's mortgage/deed of trust shall be a first lien on the borrower's property, except that the Synod will take a subordinate position to commercial, General Assembly, and/or Investment and Loan Program loans.

F. The Synod may add such other terms and conditions, as it deems advisable on specific loans.

G. Prepayment

All loans may be prepaid in full or in part without penalty. Partial prepayments will be applied first to outstanding interest and the balance to principal. As a result, the payment period will be shortened, but no payments may be delayed or skipped. This is referred to as applying partial prepayments in inverse order of maturity.

H. Construction Guidelines

Plans for new church buildings and/or major renovations to existing church buildings must be in substantial accord with the guidelines set forth by the General Assembly Church Loan Program for construction guidelines, energy conservation, and handicap accessibility.

VI. Application Process

A. Loan Application Forms

1. Potential borrowers shall submit applications for loans on the appropriate application form. The forms are to be obtained from the office of the Executive Presbyter or from the Synod Treasurer.
2. The Finance Committee of Synod may require such additional documentation, as it deems advisable.

B. Presbytery Approval

1. Church Loans

The session, the congregation, and the presbytery shall approve applications for church loans. The presbytery shall forward the application to Synod's Treasurer.

2. Presbytery Loans

Applications for presbytery projects/entities shall be approved by the presbytery and be forwarded to Synod's Treasurer.

VII. Church Development Loans: (Site acquisition)

- A. The Synod will not loan more than \$250,000 for any one church development site acquisition loan.
- B. Ordinarily, Synod will participate up to 45% of a site acquisition loan provided General Assembly will participate with at least an equal amount, and that presbytery's participation be a 10% minimum of the site acquisition cost for new church development and that either the presbytery or the church will have a minimum 10% participation in the site acquisition for a church redevelopment.

- C. A site acquisition loan for a new church development will be for a period up to 25 years. No principal payment is required for the first five years. The loan will be amortized over the last 20 years. Interest will be at 1% per annum for years one through five; interest will be 2% per annum for years six through ten; interest will be 3% for years eleven through fifteen; interest will be 4 % per annum for years sixteen through twenty; and interest will be 5% per annum for years twenty-one through twenty-five. At no time will the interest rate exceed the amount that would be charged on general construction loans.
- D. A site acquisition loan for a church that has been designated by its presbytery as a redevelopment project will be for a period of up to 25 years. The payment terms and interest rate will be determined on a case-by-case basis, giving consideration to the financial condition of the church and the ability of the presbytery to assist.

VIII. Disbursement of Loan Funds

- A. Evidence of Title (required of secured loans)
 - 1. Abstract of Title/Registered Property Report. The borrower shall provide an up-to-date Abstract of Title/Registered Property Report for the subject premises, containing current searches for taxes, assessments, judgments, bankruptcies and tax liens.
 - 2. Title Insurance

In the alternative, the borrower may provide a commitment for a mortgagee’s policy of title insurance in the amount of the loan.
 - 3. The borrower must have good and marketable title to its property, such that the mortgage/deed of trust will be a valid lien on the premises.
- B. Articles of Incorporation and Bylaws

The borrower shall provide a copy of the entity’s current Articles of Incorporation and Bylaws. The borrower must comply with all provisions of its Articles of Incorporation and Bylaws relating to the encumbering of its real property.
- C. Insurance

The borrower shall provide proof of coverage of adequate hazard and liability insurance, naming the Synod as an additional insured.

D. Documents

1. Note

The borrower shall execute a note in favor of the Synod containing the terms of the loan in a form satisfactory to the Synod.

2. Mortgage/Deed of Trust

Except as otherwise provided in this policy, the borrower shall provide security for the loan in the form of a mortgage or deed of trust in favor of the Synod in a form satisfactory to the Synod.

3. Other

The borrower shall provide such other documents as required by the Synod, such as sworn construction statement, mechanic's lien waivers, evidence of the action of the borrower authorizing the loan and encumbrance in recordable form, evidence of the authority of authorized signers, etc., as are required by the Synod.

E. Congregational/Presbytery Approval

The borrower shall provide verification in the form of certified copies of minutes, or affidavits of appropriate officers, as required by Synod, that the members of a congregation have duly approved pursuant to proper notice the loan and encumbrance of real property showing compliance with state law, the *Book of Order*, and its own Articles of Incorporation and Bylaws. Presbytery approval is to be obtained prior to Synod action.

F. Execution of Documents

The loan documents (note and mortgage/deed of trust) shall be executed by duly authorized officers of the borrower. This will normally be a President/Moderator and Secretary/Clerk. The borrower must duly authorize execution of loan documents by other persons.

G. Other Requirements

In specific cases, the Synod may require a survey of the subject premises, showing that there are no encroachments, builder's risk insurance, proof of workers' compensation coverage, verification of other loan approvals, building plans and specifications, mission strategy, capital fund campaign, or such other and further requirements that a prudent lender would require under similar circumstances.

H. Disbursement of Loan Proceeds

Loan proceeds will not be disbursed until all of the above requirements have been satisfied and the loan documents duly executed. The Synod may disburse the loan proceeds directly to the borrower, to an escrow or disbursing agent, or to a lien holder to satisfy prior encumbrances. Disbursement of loan proceeds must be made within twelve months of Synod approval; otherwise, approval will be reconsidered by Synod before disbursement and the interest rate reset at the rate then in effect.

I. Repayment Procedure

The borrower will make payments directly to the Synod at its office unless otherwise directed by the Synod. Payments are due by the date stated in the loan documents. The Synod will furnish an amortization schedule to the borrower.

J. Loan Costs

The borrower is responsible for the payment of the costs incurred in completing and perfecting the loan. This includes abstracting and/or title insurance premiums, filing fees, mortgage registration or other taxes, if any, escrow fees, insurance, attorney fees incurred by the Synod, and such other costs as are reasonably required to make the loan.

IX. Guidelines for Staff Equity-type Loans

- A. The purpose of this policy is to provide satisfactory housing to elected Synod and presbytery staff (this type of loan is available only to Synod or presbytery staff) when previous circumstances did not permit an accumulation of funds necessary to meet the purchase of a home.

The Synod will invest in the staff's residence by providing a loan with no periodic repayment of principal or interest. The loan will come due within six months after the dissolution of the staff's relationship, upon sale or transfer of the property by the staff person, upon the staff person's no longer using the property as his or her principal place of residence, or at

the end of five years (subject to renewal), whichever comes first. The provision that the loan will come due after dissolution of the staff's relationship shall not be effective, if s/he remains an eligible individual in the new position. Likewise, the loan will not come due, in the case of a New Church Development organizing pastor when the church is chartered if s/he becomes the called pastor of the same church.

- B. The staff person is responsible for full payment of taxes, insurance, property maintenance, and all other encumbrances. The Synod makes no representation regarding the tax implications to that staff person that may arise from this type of loan.
- C. The staff person will consult with, and secure approval from, the Finance Committee of Synod for any capital improvements. Documentation shall be presented for the purpose of negotiating the value such that improvements may add to the property and how that affects the Synod's interest in the premises. If this consultation and approval are not secured prior to the making of capital improvements, the Synod may choose to ignore such improvements in determining its interest in the premises at the time of the repayment of the loan.
- D. The Synod shall be named as an additional insured on the fire and extended coverage insurance policy on the premises.
- E. The terms of the Synod's loan shall clearly require payment of the pro rata share of the net proceeds defined as gross sale price less commission and reasonable and customary closing costs to seller. In no event shall the return to the Synod exceed the amount allowed by law. If the borrower decides to fully or partially finance a sale of the property, the Synod's loan must be repaid in full. If the borrower wants to make a partial or total prepayment of this loan (before the date in paragraph A), the current value of the property will be determined by averaging two or three professional appraisals of the property, less the average sales commission charged by realtors in the area. The cost of the appraisals will be shared equally between the borrower and the Synod.
- F. Memorandum of Understanding and Terms
 - 1. A Memorandum of Understanding, accompanying the mortgage loan, will itemize major repairs, upkeep and other terms and conditions that may be negotiated and be the responsibility of the borrower purchasing the home.

2. The terms and conditions of the Memorandum of Understanding are to be approved by the Synod Executive and the Director of Finance. The loan shall be secured by note, mortgage and other documentation as required.
 3. The maximum amount of any loan will be \$50,000.00, but may not exceed 25% of the purchase price. The staff person will pay all legal fees and other costs.
- G. This type of assistance will not be provided when the staff person has adequate net worth to obtain conventional financing of his/her residential housing purchase. Persons requesting this type of loan assistance will be required to submit a personal financial statement, disclosing all assets and liabilities. Synod may determine, at its sole discretion, whether or not a loan under the terms of these guidelines shall be granted. This policy is subject to the loan being valid under the laws of the state in which it is to be placed.
- X. Guidelines for Other Loans to Individuals (Section III, paragraphs D & E)
- A. Maximum loan will be \$125,000. Depending upon circumstances and the recommendation of the Executive/General Presbyter, the maximum loan granted may be less.
 - B. Terms: Ordinarily, the terms will be the same as in Section V of this policy and the interest rate will be the same as a loan available to churches.
 - C. The loan will come due within six months after the dissolution of the staff relationship, upon sale or transfer of the property by the staff person, upon the staff person's no longer using the property as his or her principal place of residence, whichever comes first. The provision that the loan will come due after dissolution of the staff relationship shall not be effective, if s/he remains an eligible individual in the new position.
 - D. The staff person is responsible for full payment of taxes, insurance, property maintenance, and all other encumbrances. The Synod makes no representation regarding the tax implications to that staff person that may arise from the loan.
 - E. The Synod shall be named as an additional insured on the fire and extended coverage insurance policy on the premises.
 - F. A loan will not be provided when the staff person has adequate net worth to obtain conventional financing of his/her residential housing

purchase. Persons requesting loan assistance will be required to submit a personal financial statement, disclosing all assets and liabilities, updated annually. Synod may determine, at its sole discretion, whether or not a loan under the terms of these guidelines shall be granted. This policy is subject to the loan being valid under the laws of the state in which it is to be placed.

XI. Bridge Loans

At the sole discretion of the Synod, Bridge Loans may be approved by Synod. A Bridge Loan is defined as temporary financing for an eligible borrower until permanent financing can be obtained. A Bridge Loan may be secured or unsecured at the option of the Synod.

A. Term

The Bridge Loan will be for a period not to exceed the earlier of 30 days following the receipt of permanent loan proceeds or one year. This period may be extended by action of Synod. All other terms, including lending limits but excluding security, will be the same as other loans in this policy.

B. Bridge Loans for Eligible Staff

Bridge Loans for Eligible Staff will be for the purpose of assisting a staff member when his/her previous home cannot reasonably be sold in time to allow the equity in the unsold home to be used in the new location. The maximum amount of this type of loan is the lesser of \$250,000 or the equity in the unsold home. The due date is the earlier of 30 days following the closing of the sale of the old home or one year, unless extended by action of Synod.

XII. Administration

A. The Synod Treasurer shall be the primary contact for borrowers and potential borrowers and shall provide information regarding other Presbyterian loan programs.

B. Approvals – All loans that are approved shall be reported to the Synod and recorded in the Minutes of the Synod.

1. Ordinarily, loan applications received within 30 days before a Synod meeting shall be approved by the Synod upon recommendation from the Finance Committee.
 2. For Synod Loans in amounts not to exceed \$50,000.00, approval between meetings may be authorized by approval of the Synod Treasurer and any one member of the Finance Committee. This approval shall also extend to any application for loan(s) from General Assembly connected with the Synod loan.
 3. For loans in excess of \$50,000.00, approval between meetings may be authorized by majority agreement of the Finance Committee.
 4. For loan applications that require Synod approval but do not request a loan from the Synod (e.g. General Assembly loans) approval between meetings may be authorized by approval of the Synod Treasurer and any one member of the Finance Committee.
- C. Loan Participation - Upon request by the borrower and approval of the Treasurer and any one member of the Synod Finance Committee, the Synod may purchase a participation in a loan made by the Church Loan Program of the General Assembly or the Presbyterian Church (U.S.A.) Investment & Loan Program, Inc. in an amount not more than the amount approved by the Synod as prescribed by this policy.
- D. The Finance Committee shall also have the authority to act on behalf of the Synod in any manner that is consistent with this policy. All actions taken between Synod meetings will be reported to the next Synod meeting and recorded in the minutes of that meeting. The Synod Finance Committee shall have complete authority to interpret this policy and the applicability of this policy to any loan request. Any interpretation of this policy may be appealed to the next regularly scheduled meeting of the Synod.

XIII. Effective Date

This policy is effective for all loans approved on or after October 5, 2010.