

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

October 5, 2010

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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.