

Synod of the Pacific

Table of Contents

I. INTRODUCTION.....	2
II. AVAILABILITY AND ALLOCATION OF FUNDS.....	3
III. APPLICATION FORMS.....	4
IV. APPLICATION AND APPROVAL PROCESS.....	5
V. LOAN FEES	7
VI. LOAN UNDERWRITING CRITERIA.....	7
VII. RATES AND TERMS.....	8
VIII. MISSION GIVING DISCOUNT.....	12
IX. LOAN DRAWS.....	14
X. PROVISIONS FOR LOC & AMOR LOANS.....	14
XI. PROVISIONS FOR JMM LOANS.....	16
XII. SPECIAL PROVISIONS FOR SITE OR BUILDING PURCHASE.....	20
XIII. SPECIAL PROVISIONS FOR CONSTRUCTION OR RENOVATION.....	19
XIV. FINANCIAL SECURITY.....	20
XV. LOAN DELINQUENCY AND RECAPTURE.....	21
XVI. SYNOD RESERVES AND COST OF FUNDS.....	23
XVI. STEPS OF A CAPITAL PROJECT.....	22
XVII. CONTACT INFORMATION	25

I. INTRODUCTION

This Guide for Churches is a summary of the Synod's loan policies and procedures. Complete, unabridged guidelines are available upon request from the Synod of the Pacific Loan Coordinator. No part of this pamphlet supersedes or amends the complete loan guidelines as approved by the Synod of the Pacific.

The Synod of the Pacific's Loan Service provides flexibility and an understanding of Presbyterian Church's needs and operations that cannot typically be found with commercial lending.

The Synod of the Pacific provides loans from two sources, each of which offers several types of loans:

- Synod Investment and Loan Service Fund
 - Secured Lines of Credit (SLOC)
 - Unsecured Lines of Credit (ULOC)
 - Amortized Loans (AMOR)
 - Green Loans (GRN)
- James M. Muzzy Loan Fund
 - Muzzy Loans (JMM)
 - Muzzy Line of Credit (MLOC)
 - Low-Interest Insurance Loans (INS)
 - Equity Share Loans (EQU)

The primary purpose of the Investment and Loan Service Fund is to provide capital funding for member presbyteries, congregations, and specialized ministries¹. Such purposes include:

- Purchase of property and/or church buildings
- Church construction and renovation

¹ Organizations affiliated with the Presbyterian Church (U.S.A.). Borrowers located outside the bounds of the Synod of the Pacific are subject to different requirements. See Section XII.

- Capital debt refinancing or consolidation
- Permanent amortized financing
- Funding for equity sharing loans (for larger congregations or larger loan amounts than qualify for Muzzy Equity Share Loans)
- Cash flow management (only after consultation and approval of Presbytery).
- Low-interest loans to improve the energy efficiency of the church/organization (“Green Loans”)

The primary purpose of the James M. Muzzy Revolving Loan Fund is to provide capital funding for congregations with special financial needs. Such purposes include:

- Loans for capital projects and purchases, and debt refinancing (for congregations up to 125 members, new church developments, racial/ethnic congregations, and churches with special financial needs)
- Loans for funding of equity sharing agreements (for congregations up to 250 members).
- Low-interest loans for projects that prevent insurance losses (for congregations of all sizes)

The Synod has a limited supply of James M. Muzzy funds. Careful stewardship of these funds is required to meet the needs of these congregations both now and in the future.

The secondary purpose of the Loan Service is to support Presbyterian programs by recycling the majority of its net service revenues back to member Presbyteries as Mission Partnership Funds. These revenues are a major source of funding for mission programs, and allow the Synod of the Pacific to be a net resource contributor, rather than a net resource user.

II. AVAILABILITY AND ALLOCATION OF FUNDS

If the Synod experiences an excess of demand over resources, priority will be given to the following loan types:

- Construction loans and other forms of short-term financing over long-term Amortized loans
- Small loans over large loans
- Loans to churches with exemplary mission giving histories (See Section VIII)
- Loans to churches with a history of Custodial Fund deposits. Churches are especially encouraged to deposit all building fund revenues as they are received

III. APPLICATION FORMS

Application forms are available on our website (www.synodpacific.org), by request from the Synod office, or from your Presbytery.

The following forms are currently in use:

FORM	PURPOSE
A	New Loan requests from Churches (Line of Credit, Amortized or Green Loans)
B	New or Renewal of Presbytery Loan
O	Related Organization New Loan request
R	Renewal of Line of Credit (2 additional years) Renewal of an Amortized Loan (5 additional yrs) Conversion of Line of Credit to Amortized Loan
S	Supplemental Loan Application
M	James M. Muzzy Loan request (Amortized, Line of Credit, and Insurance)
V	Review of James M. Muzzy Amortized Loan

Supplemental documentation will be required when submitting your Loan application. Such supplemental documentation includes, but is not limited to:

- Current and prior year annual budget

- Prior Year Balance Sheet and Revenue/Expense Statement
- Current Year interim Balance Sheet and Revenue/Expense Statement
- Preliminary drawings, bids, and estimates (only as applicable)

IV. APPLICATION AND APPROVAL PROCESS

Initial informal consultation with the Presbytery and Synod as to the affordability of the project and the availability of funds is recommended.

Loan Application forms are posted on the Synod's website at www.synodpacific.org under the Loan Section or may be obtained by contacting the Synod's Loan Coordinator. All areas of the application must be completed so that the Synod can obtain the best picture of the financial health of the church/organization.

After completion of an application, congregation and/or session approval is required and should be obtained per the Book of Order. All loans which require the execution of a deed of trust on church property will need a congregational vote. The Clerk of Session executes the original application, attesting that proper approval has been obtained per the Book of Order.

The **ORIGINAL** application must be sent directly to the Presbytery. A financial plan for funding the project and repaying the debt will be carefully developed by the Session together with the Presbytery. The Presbytery must approve the application and guaranty the loan. The application is then signed by the Executive or Stated Clerk of the Presbytery. Presbytery oversees the project, monitors the financial health of the congregation, and ensures that all loan terms, conditions, and covenants are being met.

Ordinarily, the Synod will not consider a loan application before Presbytery approval. However, at the presbytery's request, because of meeting schedules and deadlines, the Synod may consider the loan first. The Synod's approval is then contingent upon Presbytery approval.

The Synod's approval process varies with the type and size of the loan requested:

- New loans of up to \$99,000 and loan renewals up to \$500,000 may be approved between regularly scheduled meetings by the Loan Coordinator

and three Commissioners of the Mission Finance Committee. To be eligible for this fast approval, the applicant must meet all standard underwriting criteria, and must not be seeking waivers to any standard loan covenants. Such approvals are reported at the next committee meeting and noted in the minutes.

- All other loans that meet approved Synod Loan Guidelines are approved by the Mission Finance Committee. Loan approvals can be obtained in February, May, August, and October. Applications must be received in the Synod office by the 10th of the month before their scheduled meeting date (e.g. Applications for February's meeting are due January 10th).
- Loans over approximately \$4.5 million are generally not considered and would require special approval procedures.
- In special cases, the Mission Finance Committee may be convened between meetings to consider a loan application. In these cases, the applicant must pay all costs of this special session, regardless of the outcome of the process.

Any waiver request related to financial considerations or construction requirements must be submitted in writing as part of the loan application and approved by Presbytery and Synod.

The Synod Mission Finance Committee has the right to place certain contingencies on any loan approval. These contingencies are placed on the approval to protect both the applicant and the Synod. Synod will periodically verify all loan contingencies are in place during the life of the loan. If the contingencies are not being met, the Synod may consider the loan in default and may take any action necessary to correct the default.

Any Presbytery who has a member church participating in the Synod's loan service must provide the Synod's lending institution with written guaranty and financial information, as requested.

V. LOAN FEES

The Synod of the Pacific charges an Initiation or Processing fee once the application has been approved. This fee is to help cover the cost of reviewing and processing the applicant's loan. The Initiation or Processing fee also solidifies the commitment between the Synod and the applicant church/organization regarding the loan.

Following is the Synod's fee schedule:

LOAN TYPE	FEE
New Amortized or Line of Credit Loan	½% Amount
Conversion of Line of Credit to Amortized Loan	½% Balance
Renewal of Existing LOC or Amortized Loan	¼% Balance
Green Loans, New JM Muzzy Line of Credit Amortized or Insurance Loans	\$250.00
Conversion of Muzzy Line of Credit to Amortized	\$250.00
Review of Muzzy Amortized Loan	\$150.00
All Loan Modifications	\$500.00

VI. LOAN UNDERWRITING CRITERIA

Line of Credit and Amortized Loans

In general, Synod loan approval is based on the ability of the church to pay back the loan. Current debt, payment history, cash reserves, equity in property, income, and expenses for the past few years, the ratio of debt to income, the ratio of debt to membership, changes of membership and revenue over the past few years, presbytery approval and many other factors go into making this decision.

Although individual loans may vary depending on these and other factors, there are general parameters for an acceptable loan:

- Applicant church/organization must have at least 10% of the total project on hand or already expended on the project.

- Total debt payments after financial campaign completion must not exceed 20% of the Current Operating Budget estimated at the time loan payments commence.
- Normally the average annual giving per family unit (Operations plus Building Campaign giving) should not exceed 6% of the average family income.
- Total loans to property value ratio should not exceed 75%.

James M. Muzzy Loans

Although JMM Loans are designed specifically for churches that have special financial needs, a financial plan for funding the project and repaying all debt on a timely basis will be carefully developed by the session and the Presbytery. Credit standards are a less important part of Muzzy Loan underwriting, but the church must demonstrate an ability to repay the loan as agreed.

VII. RATES AND TERMS

To maintain the stability of the Synod's Loan and Investment Rates during periods of frequent fluctuations in the Market, the Synod has moved away from setting its rates based on "Prime Rate". Although the current Prime Rate is taken into consideration, the Synod bases its interest rates on its internal cost of funds.

Line of Credit Loans

The Line of Credit loan has a variable interest rate which is typically set 0.25% higher than the Amortized loan rate. A discount off this rate of up to 0.75% is available based on Mission Giving history. Monthly payment of interest-only is required.

A church may draw on its loan, up to the authorized limit, via request of an authorized signor², at any time. No draws will be permitted if the loan is beyond the term, or

² Authorized Signors for loan transactions are named on the loan application, and can be changed at any time by written request of the Clerk of Session on church letterhead. The Synod will abide by any additional draw restrictions imposed by the church. In the absence of other instructions, draw requests can be made by phone, fax, mail, or e-mail.

payments are past due.

The maximum term for a Line of Credit loan is two years. The term period begins with the first loan draw. At the end of the term a Line of Credit loan must be:

- Paid off
- Renewed for ONE additional two year period with Synod
- Converted to a Synod Amortized loan
- Refinanced through a bank or other lender

Amortized Loans

Amortized loans have a variable interest rate with a fixed monthly payment for each term. A discount off this rate of up to 0.75% is available based on Mission Giving history.

Amortized payments are fixed for the five-year term of the loan, based on the interest rate at the time of approval³. Payments can be recalculated after a lump sum pay-down of at least 10% of the balance of an Amortized loan, at the request of the borrower. This adjustment will be calculated at the current rate, using the same end date for amortization.

Changes in interest rates will affect how much of each payment is applied to interest, and how much to the principal. Thus, if interest rates drop, the loan will be paid off more quickly than scheduled. If interest rates rise the loan will be paid off less quickly than scheduled. In extreme cases, where interest rates rise dramatically, payments will be increased to prevent negative amortization, which is never allowed.

The maximum term for an Amortized loan is five years. The maximum amortization schedule is 25 years. At the end of the five-year term an Amortized loan must be:

- Paid off
- Renewed for another five-year term with Synod. (The amortization schedule will be five years less than in the previous term. Therefore, at the end of the original amortization period, the loan will be paid off)

³ In extreme cases, where interest rates rise dramatically, payments will be increased to prevent negative amortization, which is never allowed.

- Refinanced through a bank or other lender

Green Loans

Green Loans (eco-friendly) are currently given at 3.750% interest, fully amortized over 15 years if over \$50,000, or 10 years if the amount is \$50,000 or less. Green loans do not qualify for Mission Giving discounts. The maximum amount for a Green Loan is \$150,000.

Green loans may also be used for ADA compliance projects; projects for improving the physical and/or auditory accessibility. Such projects might include installing elevators, ramps, bathroom improvements, or sound systems for the hearing impaired, roofing, water heaters, piping, electrical, painting, parking lots, deferred maintenance, and similar projects.

In the event of delinquent payments, a late payment penalty of \$25 per month will be charged.

James M. Muzzy Loans

Line of Credit Loans

Interest rates are fixed. Rates are set $\frac{1}{4}\%$ higher than the Muzzy Amortized loan rate. A discount off this rate of up to 0.75% is available based on Mission Giving history.

A borrower may draw on its loan up to the authorized limit, via an authorized signor, at any time. No draws are permitted if the loan is beyond the term, or if payments are in arrears.

Payments of interest-only are required every month.

The maximum term for a Muzzy Line of Credit loan is one year. The term period begins with the first loan draw. At the end of the term the loan must be:

- Paid off
- Converted to a Synod, Muzzy Amortized Loan
- Refinanced through a bank or other lender

Muzzy Amortized Loans

Interest rates and terms on JMM loans are flexible. The Mission Finance Committee periodically sets a benchmark rate for JMM loans. Presbyteries may request an interest rate either higher or lower than the benchmark rate. A discount off this rate of up to 0.75% is available based on Mission Giving history.

If a JMM loan is approved at the benchmark rate, and the benchmark rate is reduced after the approval, but before initial funding of the loan, the lower rate will apply.

JMM loans usually have a fixed rate and are fully amortized. However, under special circumstances, a Presbytery may request an interest-only period or graduated payments.

JMM loans are funded in a lump sum upon request. Partial draws are not available.

Most JMM loans must be repaid in full within 25 years. JMM Loans that are made for a term longer than 5 years will be reviewed every 5 years. Payment, interest rate, Mission Giving discount, and other terms will be reset according to the loan policy then in effect.

Insurance Loans

Insurance Loans are given at a 2.250% interest rate, fully amortized over 10 years, and do not qualify for Mission Giving discounts. Insurance loans have a maximum loan amount of \$50,000.

In the event of delinquent payments, a late payment penalty of \$25.00 per month will be charged.

The Synod reserves the right to revise its interest rates if there is a change in its internal cost of funds, a change in banking relationships, or an increase in its cost of borrowing. The Interest Rate Committee is responsible for any changes in rates that are necessary between regular meetings of the Synod.

VIII. MISSION GIVING DISCOUNT

The Presbyterian Church (U.S.A.) relies on the connections between congregations, Presbyteries, Synods, and the General Assembly to nurture and support each other's mission, and to make possible much work that would be beyond the resources of any one body. Synod of the Pacific supports the connectional church by providing loans and other financial services at favorable rates and terms, and by being a net funding resource to our churches and Presbyteries.

At the same time, the Synod relies on the connectional church for operating funds in the form of mission giving and per capita contributions from churches. Because of the importance of this connectional cycle, priority in the loan approval process will be given to those churches with good Mission Giving histories. Also, churches with good Mission Giving histories may be eligible for discounts of up to 0.75% on interest rates.

Churches are encouraged to give 10% of their Current Operating Budget to Presbyterian General Mission.

For loan applications, all giving that is directed through the Presbytery or Synod, toward causes that are in the mission budgets of the Presbytery, Synod Partnership, or General Assembly, are considered. This includes the following:

- GA and Synod Unified Giving
- Per Capita Apportionments
- Directed Giving (to within-budget projects)
- Special Offerings
 - Peace and Global Witness
 - One Great Hour of Sharing
 - Theological Education Fund
 - Pentecost
 - Christmas Joy
 - Presbyterian Disaster Relief
 - Joining Hands
- Extra Commitment – GA and Presbytery

Discounts of up to 0.75% off of the standard interest rates for Lines of Credit, Amortized, and James M Muzzy loans are available based on a borrower's Mission Giving History:

10.0% or higher	0.75% discount
7.0% to 9.9%	0.50% discount
5.0% to 6.9%	0.25% discount

Discounts are based on the previous calendar year's qualified Mission Giving and are calculated by staff as part of the loan approval process based on a review of financial statements, mission treasury statements, and other sources. The discount is set for the term of the loan, or 5 years, whichever is shorter. Discounts are recalculated at all renewals, conversions, and adjustment periods.

If at the discretion of staff, the previous calendar year is deemed to not fairly represent the applicant's Mission Giving history, a different calculation period may be used. The Mission Finance Committee reserves the right to review the Mission Giving status of a borrower at times other than those noted above.

IX. LOAN DRAWS

Upon completion of the loan documentation process, the loan will be ready for funding. Draws may be disbursed by the following:

TYPE	COST	DELIVERY TIME
Check	No fee	3 – 5 days
ACH	\$10.00	2 days
WIRE	\$20.00	Same day

Draws must be requested by one of the authorized persons named on the Corporate Resolution document.

All funds will be sent directly to the church or wired to the church's bank account.

No funds will be disbursed should the loan become delinquent or out of compliance.

X. PROVISIONS FOR LINE OF CREDIT, AMORTIZED & GREEN LOANS

There is a 0.50% initiation (commitment) fee for all Line of Credit and Amortized loans. A fee (see page 9) is also assessed on any renewal, conversion, or refinancing of existing debt. The initiation fee is calculated as 0.50% of the authorized limit of each loan. The fee is due and payable immediately at the time of the loan approval. Unfunded loans will be canceled if the fee is not paid within 60 days. For conversions or renewals, the applicant may request the initiation fee be rolled into the balance of the loan if it does not exceed the approved loan amount. The Synod reserves the right to charge the fee against the existing loan balance if the fee is not paid within 60 days. Initiation fees are nonrefundable.

Should the applied-for amount/balance of a new, conversion, or renewal loan be reduced by more than 10% within 30 days of approval, the initiation fee invoice will be revised and reissued. For changes of less than 10%, or later than 30 days after approval, no change will be made in the initiation fee.

Monthly interest will vary depending on the daily loan balance, the interest rate in effect, and the number of days in the month.⁴

Upon a lump sum pay-down of at least 10% of the balance of an Amortized loan, and at the request of the borrower, the fixed monthly payment amount will be adjusted. This adjustment will be calculated at the current rate and using the same end date for amortization.

Monthly statements will be sent the first week of each month, covering all activity for the preceding month. Payment is due and payable upon receipt. Payments must be received at the designated payment address (not at our office address) before the end of that current month to avoid compounded interest charges. Any late payment is a serious concern and may require Presbytery intervention.

An additional principal may be paid at any time without penalty.

⁴ *Monthly interest charge is calculated as follows: (Annual Interest Rate) ÷ 360 × (number of days) × (Principal Balance). If the interest rate or principal balance changes during the month, calculate interest separately on each combination, then add them together. For example, if the interest rate changes from 7.0% to 6.5% on the 12th of June, and the principal balance changes from \$100,000 to \$90,000 on the 27th of June, the calculation of June's interest is as follows: $(.070 \div 360 \times 11 \times \$100,000) + (.065 \div 360 \times 15 \times \$100,000) + (.065 \div 360 \times 4 \times \$90,000) = 549.72$.*

There is an interest rate penalty for all out of term loans. If a loan goes beyond term without being renewed or refinanced, the interest rate will increase by 1% immediately, and by an additional 1% at each anniversary of the end-of-term date.

If the loan is not drawn on within six months of approval, the loan authorization will be canceled. Extensions may be available, at the discretion of staff, upon payment of an extension fee (extension fees are calculated as follows: the original initiation fee divided by 6 months, times the requested number of months of extension).

Any Synod loan is made available only for the term of that loan. There is no promise or guarantee that Synod will be able to either extend or refinance that loan beyond the original term. Extension or refinancing is not an automatic process. There are many factors to consider, including the Synod's availability of funds, the church's financial status, and the church's past compliance with loan covenants.

Green Loans (GRN)

Green Loans are available to help congregations make eco-friendly and ADA compliance improvements to their facilities. Green Loans are available to any congregation with the Synod bounds regardless of size. There is a \$250.00 Processing Fee for any Green Loan. Examples of qualifying improvements are:

- Replacing old windows with energy-efficient ones
- Converting building heating to solar energy
- Installing energy-efficient water sprinklers
- Replacing old toilets with low flow ones
- Installing elevators, or ramps
- Installing sound systems for hearing impaired
- Roofing
- Water Heaters
- Piping
- Electrical
- Painting
- Parking Lots

- Deferred Maintenance

The maximum total balance of Green loans to any one church, at any given time, is \$150,000.

XI. PROVISIONS FOR JMM LOANS

There is a Processing fee associated with all James M. Muzzy loans. This fee will be assessed with all-new, reviews, conversions, or refinancing of existing debt. The Processing fee is a set fee that has been approved by the Mission Finance Committee of the Synod. The fee will be due and payable at the time of the loan application approval. Approved but not yet funded loans will be canceled if the Processing fee is not paid within 60 days. Processing fees are nonrefundable. The Synod reserves the right, in the case of JMM Reviews to charge the Processing fee against the existing loan if the fee is not paid within 60 days. See Section V (LOAN FEES), for the schedule of Muzzy Loan Processing fees.

Equity Share Loans (EQU)

The Muzzy fund specializes in loans to churches for funding equity sharing agreements. Equity Sharing loans are available from the Muzzy fund to congregations of no more than 250 members, in amounts up to \$250,000.

Our goal is to help your congregation call a pastor who may otherwise not be able to accept your call due to the cost of housing in your area and to help you build equity in your local housing market, an investment that will always keep pace with the future pastors' housing needs. *Synod of the Pacific does not enter into equity sharing agreements with pastors, but rather loans money to congregations, so they may participate in such agreements.*

Briefly, to whatever degree you provide funds for the purchase of the property, you become the owner of that percentage of the property. When the pastor sells the property or leaves the church, you will receive that percentage of the selling price, fewer expenses. In other words, if the church helps with 20% of the purchase price of an average 3 bedroom, 2 bath home in your town, no matter what happens to real estate values in the future, you will always own an asset equal to 20% of an average 3 bedroom, 2 bath home.

Your arrangement with the pastor will be documented by an Equity Sharing Agreement, which details all aspects of the arrangement, a Promissory Note from the pastor to the church, and a Deed of Trust that places a lien on the property, which is your security that you will get paid out of the proceeds of any sale. Although the Synod cannot prepare legal documents on your behalf, we can provide samples of these three documents.

The terms of the arrangement with the pastor are subject to review by the Synod during the loan process.

Insurance Loans (INS)

The James M Muzzy fund makes low-interest loans to churches to help complete projects that prevent insurable losses. Insurance Loans are available to congregations of all sizes and are given at 2.250% interest, fully amortized over 10 years.

The major ongoing insurance risk facing churches is loss from fire. However, other losses affect premiums. Examples of qualifying loans include:

- Central Station Alarms
- Automatic Sprinkler Systems
- Locks, safes, and other security or anti-vandalism measures.
- Re-piping, or replacement of mechanical components to avert water damage
- Repair of trip/fall hazards or substandard lighting
- Removal and repair of damaged areas due to mildew/mold or insects
- Removal/containment of hazardous materials
- Other preventative measures

Low-interest insurance loans may not be used for earthquake refitting projects and are not available to churches involved in new construction or major renovation projects that require installation of sprinkler systems, re-piping, and central station alarms per code requirements.

Funds are available each year on a first-come, first-served basis. The maximum total balance of Insurance Loans to any one church at any given time is \$50,000.

Other James M. Muzzy Loans

Eligibility

Muzzy loans, Line of Credit, and Amortized loans are available only to congregations that demonstrate extraordinary financial need, or fit the following special situations:

- New church development
- A small church (less than 125 members)
- Racial/Ethnic congregation
- Church with earthquake or flood damage, or similar uninsurable damage

Uses of Funds

Muzzy loans are used only for capital projects, including:

- The site and/or Building purchase
- Building construction or renovation
- Debt restructuring or consolidation

Other Considerations

Other sources of funding are considered before a JMM loan is granted. The Church Loan Program of the PC (U.S.A.) offers many loans to congregations. Also, there may be Presbytery loan funds available. A JMM loan may be combined with GA, Synod, or Presbytery loans to create a suitable financial package.

No more than \$250,000 in JMM loans may be granted to a congregation at any one time, not including Insurance Loans.

If the building or site is sold before being developed and utilized for the mission program for which it was purchased, or if a portion of the site is sold off as excess property, the Synod will share proportionately with the titleholder in any capital gain or loss.

XII. SPECIAL PROVISIONS FOR SITE OR BUILDING PURCHASE

The title to the property must be fee simple without reversionary interests.

Soil testing must be done before the site is purchased to assure that the selected site is suitable for building.

An environmental audit is required for sites that have been previously developed to identify any potential toxic waste problems.

All properties must be protected by property insurance (full replacement value including at least 25% over building limit for Debris Removal and Increased Cost of Construction due to local ordinances or laws) plus liability insurance (at least \$1 million per occurrence, \$3 million aggregate) from date of purchase.

XIII. SPECIAL PROVISIONS FOR CONSTRUCTION OR RENOVATION

All construction and renovation shall comply with all local building codes and zoning regulations.

The church has a basic mission responsibility to comply with the Americans with Disabilities Act (ADA) accessibility requirements. The emphasis in design and construction must be given to handicapped access including but not limited to: 1) Ramp and Elevator installations 2) Restroom modifications 3) Parking for the disabled 4) Curb cuts 5) Illumination and sound system modifications.

As part of the church's stewardship of the environment, care must be taken to protect the planet. Buildings must be constructed and maintained with a concern for energy and water conservation. Special care should be taken in the use of toxic materials and the disposal of asbestos or other toxic wastes. Landscaping should be designed to minimize the use of water and chemicals.

Presbytery shall give assurance that a competent business procedure has been established for the receiving and disbursing of all construction funds. Payment to contractors should be made only as work has been inspected and approved by an architect, engineer, or project manager who is independent of the contractor.

All contractors, architects, and engineers must be Equal Employment Opportunity employers.

All contractors must be licensed and bonded. All contractors must carry and provide

evidence of liability limits not less than \$1 Million. The church shall be named as an additional insured on the contractor's liability policy. The contractor's liability insurance must not be secondary to the church's insurance or require the church's insurance to contribute to claims payment. All contractors must also provide proof of worker's compensation insurance coverage.

All construction must be AIA or DBIA contracts (No custom contracts) and shall carry a Performance Bond supplied by the contractor. Performance and Payment Bonds may be costly (up to 10% of the construction cost), so it is important to include them in the budget from the beginning.

All properties must provide proof of property and liability insurance, with an endorsement for Course of Construction insurance on the project naming the Synod of the Pacific as mortgagee.

The architectural/engineering AIA contract (No custom contracts) shall specify the maximum budget allocation available for construction purposes, and shall state further that should bids received be more than 10% higher than the budget allocation (20% for rehabilitation work), the architect/engineer shall revise the contract documents without additional cost to the church/Presbytery until an acceptable bid is received. Make sure all architectural/engineering firms have Errors and Omission Insurance.

XIV. FINANCIAL SECURITY

All loan proceeds must be used exclusively for their intended purpose as presented in the financial plan of the application.

Every loan will be secured by a promissory note signed by two corporate officers of the church, and two corporate officers of the Presbytery.

All loans over \$25,000 will be secured by a Deed of Trust and a Standard ALTA Title Insurance policy, and must be approved by congregational vote, and if applicable provide a performance bond.

No additional debt may be incurred which is not part of the original financial plan, without the written permission of Synod.

All loans shall become due and payable when a congregation sells any portion of any real property on which a Synod loan has been made and or at such time as the

borrower is no longer under the jurisdiction of the Presbyterian Church (U.S.A).

XV. LOAN DELINQUENCY AND RECAPTURE

Loan Accounts that are past due represent the single biggest risk to the Synod Loan Service jeopardizing the loan service's financial health, our relationship with the Synod's Bank and with our auditors, and our ability to fund new loans.

The congregation, Presbytery, and Synod approvals are done with the clear understanding that no matter how urgent and worthy a need, a poorly performing loan jeopardizes the Synod's ability to fund all other loans, many of which will be just as urgent and worthy. Therefore, all loan security provisions will be enforced, including requiring payments by guarantors and foreclosures.

Strict enforcement of collection procedures is seen as a service to a church and its Presbytery. Every attempt will be made to help a borrower identify and address any financial problems before they are insurmountable, preventing further delinquencies that may require more drastic action.

Any exceptions to this procedure, such as a loan modification request, must be submitted to the MF committee via formal request from the borrower; staff will not accept any verbal/informal requests.

XVI. SYNOD RESERVES AND COST OF FUNDS

Reserves

The Synod recognizes that the lending of money necessarily involves the risk that some losses may occur. Therefore, an adequate reserve for losses will be maintained. Loans will be reviewed per risk factors outlined by Synod's auditors. A reserve equal to approximately one percent of the total outstanding loan balance will

be established and adjusted annually.

Synod Cost of Funds

The definition of **Cost of Funds** is “The interest cost that a financial institution must pay for the use of money”.

The Synod’s **Internal Cost of Funds** is then the cost of holding money for our depositors. This includes the interest we pay the depositors plus the overhead cost involved with running the Synod Investment and Loan Services.

Capital Campaign



XVII. STEPS OF A CAPITAL PROJECT

As a summary and review of the information in this booklet, here is a sample checklist that will help you bring your church’s project to reality:

Vision

- Gather Support from Congregation
- Decide the Church’s Mission and how this Capital Project contributes
- Explore potential financial resources
- Determine “Needs” from “Wants”

Financial Campaign

- Conduct a Financial Campaign
- Decide if you need help running your campaign – Church Financial Campaign Services
- Other Organization Approved by Presbytery

Project Planning

- Research permits and requirements
- Obtain initial designs and cost projections

Apply for Financing

- Consult with Presbytery on the compatibility of vision, financial strategies, and permission to borrow
- Consult with Synod regarding affordability of the project
- Determine cash requirements/availability
- Obtain completed Architectural Designs
- Obtain Preliminary bid/cost estimates
- Obtain Proof of Insurance
- Complete Loan Application
- Acquire Congregation Approval and Session Sign Off on Application
- Send ORIGINAL Loan Application to Presbytery, COPY to Synod Loan Coordinator

Approval

- Provide missing Loan Application Information, as requested, by Presbytery/Synod
- Obtain Presbytery Approval after Trustees Review
- Obtain Synod Approval

Documentation

- Obtain signed Construction Contract (Church)
- Obtain Performance Bond (Church)
- Fulfill contingencies required during the approval process
- Ensure Presbytery is processing Promissory Note and Deed of Trust

- Pay Initiation Fee (from Invoice)
- Obtain Signatures on Promissory Note
- Obtain Signatures on Deed of Trust
- Insure Synod has received ORIGINAL Promissory Note and Deed of Trust

Funding

- Request loan draws through the authorized party, in any increments by either wire or checks directly to the church.

Servicing the Debt

- Review monthly Loan Statements and process for payment
- Communicate with Synod Loan Coordinator on the progress of the project
- Periodically update Financials with Synod as required
- Renew or Convert loan before the expiration of the term

XVIII. CONTACT INFORMATION

Danielle Williams, the Investment and Loan Coordinator for the Synod of the Pacific, is ready and able to help you bring your project to fruition. She may be contacted as follows:

E-Mail: investments-loans@synodpacific.org

Web Site: www.synodpacific.org

Office Phone: (800) 754-0669 Extension 11

Office Fax: (707) 765-4467

Office Address: Synod of the Pacific
200 Kentucky Street, Suite B,
Petaluma, CA 94952-3825

Payment Address: Synod of the Pacific – Attn. Loans
P.O. Box 964
Petaluma, CA 94953-0964