

Church Loan Fund, Inc.

Policy Manual



CHURCH LOAN FUND, INC. POLICY MANUAL

INTRODUCTION

This Policy Manual summarizes the operational procedures of the Church Loan Fund, Inc. (the “CLF” or “Loan Fund”) and provides guidance to those who would want to obtain a loan from the Loan Fund.

This document is intended to provide a clear, helpful overview of the Loan Fund and how it works. However, because this document is summary in nature, it cannot describe how the Loan Fund works under every conceivable set of circumstances. The Board of Directors of the Church Loan Fund, Inc., a Tennessee not-for-profit corporation, is the ultimate decision-making entity regarding the policies, procedures, and operations of the Loan Fund.

The Loan Fund is administered by the Church of God Benefits Board, Inc. (the “Benefits Board”) and the staff of the Benefits Board can provide guidance and direction to those seeking loans from the Church Loan Fund, Inc.

BACKGROUND

The Church Loan Fund, Inc. was incorporated in 2010 to serve as a manager and administrator of church loans and to serve as an originator of first mortgage church loans to qualified congregations within the Church of God, an international religious denomination with headquarters in Cleveland, Tennessee.

For many years, different organizations and departments within, or affiliated with, the Church of God have made loans to churches within the denomination. The largest of those entities was the church loan fund that was administered as an investment tool for the Ministers’ Retirement Plan (“MRP”), a retirement income account set up under Section 403(b)(9) of the Internal Revenue Code of 1986, as amended (the “Code”). The Ministers’ Retirement Plan is also established and maintained as a Church Plan as defined in Code section 414(e) and in section 3(33) of the Employee Retirement Income Security Act of 1986, as amended (“ERISA”).

The Ministers’ Retirement Plan’s loan fund, beginning in 1983, initially served as the primary investment tool for the plan’s participants. Until July 2007, the loan fund within the Ministers’ Retirement Plan served as an integral part of the investment strategy of the plan. However, in July 2007 the Internal Revenue Service promulgated new rules concerning the operation of 403(b)(9) church plans. The new rules prohibited church retirement plans from directly making church loans as an investment and further prohibited church retirement plans from holding church loans within an investment portfolio that is directly a part of the retirement plan. Because of this change in regulation, the Church of God Benefits Board, Inc., the administrator of the Ministers’ Retirement Plan, made the decision to separate the church loan program from the Ministers’ Retirement Plan. With the formation of the Church Loan Fund, Inc., all loans previously held within the Ministers’ Retirement Fund were assigned to the Church Loan Fund and are no longer owned by the Ministers’ Retirement Plan. As of July 20, 2010, the Ministers’ Retirement Plan relinquished all responsibilities and obligations regarding the church loan portfolio and such were assumed by the Church Loan Fund, Inc.

While the Church Loan Fund began management of the existing loan portfolio in July 2010, applications for new loans were not accepted for processing until after January 01, 2011.

Loan Administrator

The Benefits Board serves as administrator of the Loan Fund and can be contacted as follows:

Church Loan Fund, Inc.

Post Office Box 4608

Cleveland, Tennessee 37320-4608

(423) 478-7131; toll free (877) 478-7190 (423) 478-7889 facsimile

www.churchloanfund.com

Highlights of Loan Program

A quick-look, at the major provisions of the church mortgage program:

- **Effective Date:** For new loans made after January 1, 2011
- **Rates:** Starting at **5%** (subject to change)
- **Rate Setting Date:** The rates change based upon action of the Board of Directors of the Church Loan Fund.
- **Maturity:** Church mortgages have two maturity options available. The first being five (5) years (60 months). On the 60th payment, the entirety of the mortgage is due and payable. Loans may also have a maturity of ten (10) years (120 months). With this option, the interest rate is subject to a reset on the 60th month for the remainder of the term of the loan.
- **Amortization Schedule:** 20-year amortization schedule for payment and interest.
- **Prepayment Charge:** None
- **Loan to Value Ratio:** Loans may not exceed **60%** of the current appraised value of all church-owned property.
- **Repayment Ability Qualification:** Loans may not exceed 15-25% of the church's monthly income based upon a tiered repayment ability formula.
- **Application Fee:** \$250.00 (non-refundable)
- **Origination Fee:** None, except in limited circumstances.
- **"For the Benefit of" Loans:** Loans made to a state or regional office "for the benefit of" a local church do not qualify for a loan from the Church Loan Fund. However, loans to a state office for improvements, acquisition, etc. of state owned property may qualify if all other provisions are met.
- **Documentation Requirements:** First mortgage, resolution by local church, state or regional council guaranty agreement, non-compete covenant, signature authorization form, Church of God "warranty deed," certified appraisal, title insurance, property and casualty insurance, and other documentation as required by the Church Loan Fund.

CHURCH LOANS AND THE CHURCH OF GOD

Many long-time Church of God ministers and laity are surprised to learn that the Ministers' Retirement Plan was once one of the largest church mortgage lenders in the country. The Ministers' Retirement Plan, working through the staff of the Benefits Board, maintained an experienced loan staff that provided invaluable assistance to churches seeking to borrow money, whether the loan was being made by the Benefits Board or another lender. The loan staff continues in that role working with the Church Loan Fund. The loan staff is available to assist, without charge, any Church of God congregation seeking a mortgage or with any other budget, financing or property related issue.

The Benefits Board, the Ministers' Retirement Plan, and the Church Loan Fund are separate corporate and legal entities from each other and from the Church of God. The Benefits Board and the Ministers' Retirement Plan are governed by an eight-member board of directors and an executive staff, while the Church Loan Fund is governed by a separate five-member board of directors. While there is a "wall of separation" between the Church of God, the Benefits Board and the Church Loan Fund, each entity's sole purpose is serving the financial needs of the churches, ministers and church-related employees of the Church of God. The Ministers' Retirement Plan is the Church of God's retirement plan, adopted by the General Assembly. However, the plan and the assets of the plan are administered by the Benefits Board, as a third-party administrator.

Church Loan Fund

The Church Loan Fund, working through the loan staff housed at the Benefits Board, serves as a lender to churches seeking to borrow money. However, there are some very specific guidelines that must be followed before a loan can be granted. The guidelines and regulations are set out in the following documents: the *Church of God General Assembly Minutes* (primarily at S50), the Plan Document of the Ministers' Retirement Plan (including Board interpretations and regulations), this procedures manual for the Church Loan Fund, and the Internal Revenue Code. Since pension assets of the Ministers' Retirement Plan may be invested in the Church Loan Fund and used for church loans, very stringent rules and guidelines apply.

Detailed Guidelines for Loan Program

While the “highlights” section above gives you a quick summary of the provisions of the loan program under the Church Loan Fund, the following offers a more detailed explanation on each of the major provisions that comprise the guidelines for the loan program:

Warranty Deed

The *Minutes of the General Assembly* at S44 and S48 require that any real property owned by a Church of God congregation must be titled or held on what is commonly called a “Church of God Warranty Deed.” This deed requires certain language that basically states that the local church property is held in trust for the Church of God, Cleveland, Tennessee. Therefore, should a local church seek to leave the denomination or take actions contrary to the polity of the denomination, the real and personal property of the church remains with the Church of God (Cleveland, Tennessee). No bank should make a loan to a Church of God congregation without the property being on a “Church of God Warranty Deed.” The Church Loan Fund is specifically prohibited from making such a loan. Therefore, if the warranty deed language is not correct, the Church Loan Fund will require a quitclaim deed or some other corrective action to insure that a “Church of God Warranty Deed” is in place on all church-owned property before funding is provided on a church mortgage.

Property Lien

The Church Loan Fund policies require that all property must be placed under a lien for the repayment of the mortgage. Therefore, all church-owned property (including any property being acquired with loan proceeds) must be on a “Church of God Warranty Deed” and all property must be included within the deed of trust to secure the mortgage. This requirement includes parsonages that may be at a separate location. Exceptions to the policy requiring that all church-owned property must be placed under the lien may only be granted by the Board of Directors of the Church Loan Fund and only in circumstances that demand such.

Application Fee

Financial institutions generally charge administrative fees or loan origination fees as a part of the closing costs. The Church Loan Fund does not charge such fees. The only fee that is charged is a non-refundable \$250 application fee. This fee is due when submitting the application.

First Mortgages Only

The Church Loan Fund only makes first mortgages. Unless the Loan Fund is in “first place,” a loan cannot be considered. Therefore, if there are any previous mortgages on the property, they have to be satisfied, allowing the mortgage filed by the Church Loan Fund to be superior to all other liens, including tax liens. In addition, the Church Loan Fund highly discourages churches from taking second mortgages on their church property. Additional mortgages “cloud” the title to the property and may often prevent a speedy sale of the property if needed.

Resolution by Local Church

The *Church of God General Assembly Minutes*, at S44, paragraph V(3)(A), requires the local church to convene a regular or called church conference before the church can “borrow money and pledge the said real estate for the repayment of the same.” Approval for such action must be by two-thirds of the “members” present and voting. A certified resolution of that meeting must be a part of the file before the Church Loan Fund can consider a loan to the local church. This requirement assures the Loan Fund that the church has taken action to obtain financing and that such is a church decision. It is important that the local pastor receive appropriate permission from the state administrative bishop to hold such a conference and that proper notice of the conference is given to the membership of the local church. If the pastor does not follow the procedure clearly set out in the *Minutes*, the conference could later be invalidated.

Guaranty by State/Regional Council

The primary collateral on any loan made by the Church Loan Fund is the real property itself. However, the secondary guaranty is the state or regional office. That guaranty is obtained by the state/regional council signing a guaranty agreement (sometimes called an underwriting agreement). When a state council guarantees a loan to the Church Loan Fund (or any other financial institution), they should be aware of the implications of taking such a step. The guaranty certificate provides that the state council will make the payments on the loan if the church is unable or unwilling to make such payments. Further, in the event of default by a church and the subsequent sale of the property at foreclosure (or when the property is deeded “in lieu” of foreclosure), the guaranty agreement assures the lender that the state council will make up any deficiency between what the foreclosure sale brought and what is owed on the outstanding mortgage. While the Church Loan Fund requires such guaranty agreements from the state/regional council, those bodies should be very cautious before agreeing to guarantee every loan placed before them. Many states and regions show tens of millions of dollars guaranteed by that body with very small amounts of available assets. While they might not prevail, it seems feasible that an argument could be made that a state/regional council committed fraud by signing a guaranty agreement when their previous guaranteed amounts greatly exceeded their assets. Again, state/regional councils should exercise extreme caution in guaranteeing loans.

Guaranty by Executive Committee/Council

In certain situations, the policies of the Church Loan Fund require that a guaranty be obtained from the Church of God International Offices through the action of the Executive Committee or Executive Council. While the Loan Review Committee of the Church Loan Fund may require a guaranty agreement from the Executive Committee/Council on any loan, such is *always* required if 1) the loan is being made to a state or regional office, 2) the loan is in excess of \$1 million, 3) the loan is to a church in a mission state or borderline mission state, or 4) the loan is to a department of the international church. If the Church Loan Fund determines that, pursuant to its' guidelines, a guaranty agreement is required by the Executive Committee/Council, the Church Loan Fund will submit the request for consideration. No action is necessary in the submission process on behalf of the loan applicant. It should be noted that Executive Committee/Council guaranty is in addition to a lien on the real estate and the guaranty by the state or regional office. (NOTE: For several years, there has been a moratorium on new guaranty agreements by the international and state offices, except in cases of dire emergency.)

Non-Compete Agreement

The Church Loan Fund requires the pastor of any church obtaining a loan to sign a "Covenant Not to Compete." This document prohibits the minister from leaving the church that is obtaining the loan and starting an independent church or para-church ministry within a 50-mile radius for a period of two years. The non-compete covenant does not prohibit the minister from being assigned to another church through the normal ecclesiastical polity of the church. The non-compete provision insures that a minister will not saddle a church with debt and then leave to pursue an independent ministry that would compete with his or her former pastorate. While the non-compete agreement prevents a minister from pursuing an independent ministry, it also prohibits the minister from moving to another denomination and pastoring within the 50-mile radius.

Appraisal

An appraisal, not more than 90 days old, is required by the Church Loan Fund before funding on a loan. The appraisal must be performed by a person who is certified and has licenses within the state in which the property is located. A realtor's estimate of valuation is not sufficient. The Church Loan Fund will accept a "limited summary and/or restricted" appraisal. A limited appraisal will provide the Loan Fund with pertinent details on the property without requiring the appraiser to submit volumes of comparative analysis that is not needed. Such an appraisal can cut the cost drastically. An appraisal will not only be required on property owned by the church but also on any property that is being acquired. Before ordering an appraisal, the church should contact the Loan Fund to make sure that the selected appraiser meets the minimum requirements of the Fund. In addition, the staff may be able to suggest an appraiser that has provided good and cost efficient services in the past. It should be noted that an appraisal may not only cover already completed structures, it can also include "to be built" structures. After a review of the architectural plans, a qualified appraiser can provide the church with an appraisal on the property "as to be built" even before any work is done on the new construction. Such an appraisal is beneficial when the church is seeking both a construction loan and long-term financing.

Taxes

At or before the time of closing, the applicant church must provide evidence to the Loan Fund of its' exempt status from any and all property and use taxes. These taxes would include not only property taxes, but fire and water district taxes, storm water taxes, and any other taxes that are assessed against real estate. If some or all of the church facilities are not exempt from taxation, the church must provide evidence to the Loan Fund on an annual basis (at least by February 1 of each year) that all property taxes and assessments have been paid. In addition, the Loan Fund may require certification by a representative of the church at the time of making the loan that all payroll taxes are current and paid. Recertification that payroll taxes are current may also be required in subsequent years during the life of the loan. At any time if a tax lien is placed against any or all of the property covered by the mortgage, the loan will be considered to be in default. The Church Loan Fund does require that a title insurance policy be obtained before a church loan is funded. The cost of the policy must be paid by the church seeking the loan. A title insurance policy insures against loss or damage resulting from defects or failure to obtain clear title to the real estate. The policy also assures the Church Loan Fund that no other liens exist that would take precedent over the mortgage documents.

Title Insurance

The Church Loan Fund does require that a title insurance policy be obtained before a church loan is funded. The cost of the policy must be paid by the church seeking the loan. A title insurance policy insures against loss or damage resulting from defects or failure to obtain clear title to the real estate. The policy also assures the Church Loan Fund that no other liens exist that would take precedent over the mortgage documents.

Loan Limits

A. “Loan to Value” Limit - 60% Appraised Value

The Church Loan Fund will not consider any loan for more than 60% of the current appraised value of the property. This percentage, often called the “loan to value” amount, is based upon the certified real estate appraisal. The Church Loan Fund recognizes that the “loan to value” amount is less than what most commercial lenders will consider. However, church loans are for “single use” buildings. Therefore, the investment criterion is more stringent than a commercial lender might impose.

A discussion on appraisals is included in the paragraphs above.

B. “Ability to Pay” Limit

In addition to the “loan to value” limit, the Church Loan Fund applies a simple formula to determine how much of a church’s monthly income can be devoted to mortgage payments. Under the current policies and guidelines of the Church Loan Fund, the Fund may consider loans where the total monthly payment does not exceed 15-25% of the church’s monthly income. Those percentages are broken down as follows:

Annual Church Income	Percentage
Under \$50,000	15%
Between \$50,000 - \$100,000	20%
Over \$100,000	25%

For example, if a church’s annual income is \$200,000, their payment could not exceed \$4,166.67 a month ($\$200,000 \div 12 = \$16,666.67 \times 25\% = \$4,166.67$). On a 20-year amortized, five-year balloon rate of 6.5%, the church in this example could afford to construct or buy a facility costing approximately \$550,000.

The “ability to pay” formula takes into consideration all regular revenue received by the church, which includes tithes, offering, building fund contributions, etc. One time gifts or irregular contributions, as well as loan proceeds from other sources, should not be included in the total so as to provide a better “affordability” ratio. Also, special designated giving (i.e. missions giving) should be excluded. Since those designated funds cannot be used for any purpose other than what they are designated for, they should not be considered unless they are designated for the building fund.

The maximum “ability to pay” limits should keep churches away from the problem of over-extending their financial obligations.

C. “Loan Concentration” Limit

The Church Loan Fund is limited in how much can be loaned to one church by its own loan concentration rules. On a regular basis, not less often than once a year, the Church Loan Fund will determine what percent-age of the total assets of the Fund can be loaned to any one entity. Further, the Loan Fund may also impose limits on the number, or dollar amount, of loans to any one state or region.

All three limits must be complied with before the Church Loan Fund can make a loan to a local church.

Property and Casualty Insurance Policy

Before the Church Loan Fund will fund a church loan, there must be evidence of an adequate property and casualty insurance policy in place on the mortgaged property, naming the Church Loan Fund in the “loss payee” clause. This assures that the Loan Fund will get paid in the event of catastrophic damage to the property.

At least one year’s insurance premium must be paid at closing.

Evidence that adequate insurance coverage remains on the property must be provided by the church or the insurance carrier to the Loan Fund at least annually.

In obtaining coverage, the church is encouraged to consider a policy that provides for the complete replacement value of the structures. For example, if the church has a \$500,000 loan and has a \$500,000 insurance policy, the Loan Fund is covered in case of a loss. However, if the replacement cost, due to inflation or other factors, is now \$750,000, the church does not have sufficient coverage to rebuild the facility. The Loan Fund will be paid off but the church will have no place to worship. Therefore, complete replacement cost coverage is essential.

If the property and casualty insurance policy is cancelled for any reason, including, but not limited to, failure by the church to make premium payments, the loan from the Church Loan Fund will be considered to be in default. Upon default and upon the church’s failure to cure the default within a reasonable period of time, not to exceed ten (10) days, the loan may be “called,” resulting in the entirety of the remaining balance of the loan becoming due and payable.

MAKING APPLICATION FOR A LOAN

To apply for a loan from the Church Loan Fund, a designated representative (pastor, staff member, church treasurer, etc.) from the local church must complete all forms and provide all requested information, along with the application fee of \$250, before the loan is presented to the loan review committee for consideration. Partial applications will not be considered.

Step 1

Contact a loan officer of the Church Loan Fund to discuss your proposed acquisition, building project, or expansion concept. You will be directed to resources, such as the Church Construction and Financing Manual, which will give you invaluable insights into the challenge that you are taking on. In addition, while talking to our representative, you can receive an estimate on how large a loan your church will potentially qualify for based upon information that you provide to the Loan Fund representative. (NOTE: Such estimation is just that - an estimate. It is not a commitment by the Loan Fund to make a loan. A loan commitment will be provided in writing only after the loan committee has approved the requested loan.)

The representative of the Church Loan Fund will advise the church on how to make application for a loan at the appropriate time.

Step 2

Pursuant to S47 of the *Church of God General Assembly Minutes*, the local church through the pastor should seek the approval of the state/regional Administrative Bishop to proceed with the construction, purchase, or remodeling plans.

Step 3

Pursuant to S44 (paragraph V.3.A) of the *Church of God General Assembly Minutes*, the church should request authority to conduct, or ask the state/regional Administrative Bishop to conduct, a regular or called conference of the local church in which congregational approval is sought to proceed with the construction, purchase, or remodeling plans. At least two-thirds of all members present and voting in the conference must approve before the project can move forward. A Church Resolution must be presented to the Loan Fund as evidence of such. The Resolution should include the names of at least three members of the Local Board of Trustees, who have authority to sign loan documents on behalf of the church.

Step 4

Once congregational approval has been granted, the church is ready to proceed into the application process with the Church Loan Fund. The designated person (either the pastor, church treasurer, building committee chairman, or some other person) should visit the Church Loan Fund's web site at www.churchloanfund.com to obtain a loan application. All financial information requested on the loan application and accompanying documents should be collected and included as requested. It is imperative that the financial information be current and accurate. Please be aware that submitting false information to obtain a loan is a violation of the law.

The information requested on the application and on the financial spreadsheets must be submitted electronically to the Church Loan Fund. Failure to submit completed documents as requested may result in your loan request not being considered, or may cause a substantial delay in consideration.

MAKING APPLICATION FOR A LOAN - Continued

Step 5

The church, at its expense, must secure a certified appraisal on the subject real estate. The appraisal should not be more than 90-days old at the time the application is submitted to the Church Loan Fund. As noted in previous discussions, the Church Loan Fund will accept a “limited” or “restricted” appraisal. However, a real estate evaluation is not sufficient. If new property is being acquired a separate appraisal must be done on that property, as well as on existing property.

Step 6

The local church must secure a guaranty agreement (often called “underwriting”) from the State or Regional Council in which the church is located. A guaranty agreement form is included in the loan package that is available from the Church Loan Fund. The agreement must be completed and executed by the appropriate officials.

Step 7

Once all the loan application documents are completed with the most current information, the entire package of information should be transmitted to the Church Loan Fund. All documents that are to be submitted electronically should be sent via email, while all original documents (appraisal, guaranty agreement, loan signature page, church resolution, etc.) should be mailed. Please submit all documents at the same time unless instructed otherwise.

Step 8

Upon receipt of all required documents, the Church Loan staff will review the application before submission to the loan review committee. Partial applications or incomplete files will not be reviewed.

APPLICATION REVIEW PROCESS

Upon receipt of the completed application and all supporting documents, the loan review process will proceed as follows:

Review - Step 1

The Church Loan Fund staff will review the application to insure that the application is properly and fully completed - and that all supporting documentation (appraisal, guaranty agreement, church resolution, loan signature page, etc.) are included. Every effort should be made to submit the entire application file at one time. Unless instructed to do so by a loan officer of the Church Loan Fund, partial or incomplete applications should not be submitted.

Review - Step 2

The loan officer of the Church Loan Fund will do an analysis of the application, reviewing the “loan to value” ratio and the “ability to pay” ratio. Any documentation that would help the loan officer make a more informed decision should be submitted as an addendum to the loan application. If the minimum thresholds are reached for each ratio, the loan officer will refer the loan application to a staff review committee. The staff review committee will then make the decision on whether the loan application contains sufficient information to forward to the loan review committee, a committee comprised of members of the Board of Directors of the Church Loan Fund. If sufficient information is not available to forward the loan request to the loan review committee, the applicant church will be given sufficient opportunity to address any deficiencies the staff finds.

Review - Step 3

If sufficient information is available, the loan review committee will review the loan application, deciding whether to fund the loan or not. The loan review committee may meet in person, telephonically, or electronically. A majority vote of the loan review committee members participating in the discussion is needed to approve a loan from the Church Loan Fund. The loan review committee may also defer a decision for consideration by the entire Board of Directors of the Church Loan Fund.

It is anticipated that the review process, from the date of submission of the completed loan application up through and including a decision by the loan review committee, will take approximately thirty (30) days. If consideration by the entire Board of Directors is needed, applicants should expect at least an additional 30-45 days.

Review - Step 4

If the loan request is not approved, the applicant church will be provided a detailed explanation, in writing if requested. The application fee, or any other costs associated with making application, will not be refunded to the applicant.

If the loan request is approved, a “commitment letter” will be issued by the Church Loan Fund, agreeing to provide funding as requested in the application. If the church accepts the terms of the commitment letter, the loan offering will be valid for up to ninety (90) days.

Loan Funding Process

Once the letter of commitment is signed by the applicant church, the Church Loan Fund will commit resources to provide the necessary funding upon proper request and submission of necessary loan documents.

Funding - Step 1

The “letter of commitment” is valid for ninety (90) days from the date the loan is approved by the loan review committee of the Church Loan Fund. Therefore, the church must act expediently to close the transaction.

The church should immediately secure the services of an attorney who specializes in real estate matters or seek the professional services of a loan closing/title company. If the church does not have a title company, the staff at the Loan Fund will be glad to make recommendations.

Funding - Step 2

If the Loan Fund has loans to other churches within the state or region in which the applicant church is located, the Loan Fund may require that all outstanding loans be current before funding the new loan to the applicant church. The applicant church should be aware that delinquencies by other churches within the state or region could delay funding.

Funding - Step 3

The church’s legal representative must prepare all the legal documents necessary to close the transaction, including, but not limited to, a promissory note, a “deed of trust/mortgage,” and a closing statement. If the property is not on a proper “Church of God Warranty Deed” as discussed earlier, the church’s legal representative will need to prepare a corrective warranty deed as well.

All legal documents must be submitted to the loan officer at the Church Loan Fund for approval at least three business days prior to closing.

Funding - Step 4

The church should be aware that only duly appointed members of the Local Board of Trustees, pursuant to S44 and S45 of the *Church of God General Assembly Minutes*, may “borrow money and pledge the property for the repayment of the same.” Therefore, if at least three members of the Local Board of Trustees are not available to sign loan documents on behalf of the applicant congregation, new trustees should be appointed following the guidelines set out in S45 of the *Minutes*. The trustees will be required to sign the loan documents in their capacity as a representative of the local church, and not in their personal capacity.

Loan Funding Process - Continued

Funding - Step 5

Once all the closing documents are approved by the loan officer at the Church Loan Fund, the Church Loan Fund will be ready to fund the loan. The loan proceeds will only be funded into an escrow account, an attorney's restricted account, or into some similar limited access holding account awaiting closing. The funds are not to be released from that restrictive account until all the proper liens, insurance, and documentation are in place.

Funding - Step 6

As an act of closing, the church's legal representative must provide the Church Loan Fund with the original documentation of the loan, including, but not limited to, the following:

- a filed and stamped original of the "deed of trust/mortgage"
- the executed promissory note
- evidence of property and casualty insurance, listing the Church Loan Fund as the loss payee and first mortgagee, and
- the title insurance binder

Loan Servicing

Loan servicing is simply the process of making payments on the loan - and addressing any issues that may arise which would impact the value of the collateral upon which the loan was made.

Payments

To facilitate regular payments, each church applicant voluntarily agrees to allow the Church Loan Fund to draft their designated bank account once each month (or more regularly upon demand) on a designated and agreed upon date for an amount equal to the monthly obligation owed to the Church Loan Fund. If insufficient funds are in the account to cover the amount of the draft, the church borrower will be assessed a “non-sufficient funds” (or NSF) charge of \$35 by the Church Loan Fund in addition to any such similar charges that the church’s own bank may charge.

If the borrowing church misses one or more payments (or a draft is returned NSF), the Church Loan Fund may demand that weekly drafts be scheduled. Any payment that is missed over the life of the loan may result in the Church Loan Fund “calling” the loan, making all payments due and payable immediately.

If a draft is returned because of non-sufficient funds, the church borrower must pay the amount of the NSF draft, the \$35 NSF fee, and any late charges by check or a second draft immediately (but not to exceed ten (10) days) upon notice to prevent default.

Late Payment

A payment is considered late if it is not paid within ten (10) days of the due date. All delinquent payments received ten (10) days or more after the due date will be charged a two percent (2%) late penalty.

Delinquency Policy

Payment Becomes Delinquent on the 10th day After Due

- A. Church will be notified of delinquency in writing and by a call from a loan officer. Any circumstance that impairs the churches ability to pay should be fully disclosed to the loan officer immediately.
- B. Efforts may be taken to demand weekly payments, rather than monthly payments.
- C. Delinquency will appear on past due list for discussion between loan administrator and President/CEO of Church Loan Fund
- D. Loan Fund may take any other action deemed appropriate to protect collateral.

Thirty Days (2 Payments) Past Due

- A. Church will be notified of delinquency in writing (2nd Notice)
- B. Loan Officer from the Loan Fund will contact pastor of church or designated church representative by phone weekly or more regular if needed.
- C. State/Regional Administrative Bishop will be notified by specific demand letter and requested to assist specifically in the collection efforts.
- D. If a guaranty agreement exists from the International Office, the Secretary General and the Executive Committee liaison for the state/region will be notified of the delinquency in writing.
- E. Loan Fund may take any other action deemed appropriate to protect collateral.

Sixty Days (3 Payments) Past Due

- A. Church will be notified of delinquency by specific demand letter – and informed that foreclosure will be initiated if payments, late fees, and costs are not paid immediately.
- B. State/Regional Administrative Bishop will be notified by specific demand letter and requested to assist specifically in the collection efforts – and informed that foreclosure will be initiated immediately if payments are not brought current.
- C. Loan Officer from the Loan Fund will contact pastor of church or designated church representative by phone to demand payment. Phone contacts will continue at least every week, if not more regularly.
- D. The President/CEO and/or Loan Administrator of the Church Loan Fund will demand a meeting (either at the church or the corporate offices of the Church Loan Fund) with the local pastor and State/Regional Administrative Bishop to discuss foreclosure on the loan if payments are not brought current or other resolution reached. All costs incurred by the Loan Fund in participating in such a meeting shall be added as fees to the outstanding balance due.
- E. If a guaranty agreement exists from the International Office, the Secretary General and the Executive Committee liaison for the state/region will be specifically requested to assist in eliminating the delinquency.
- F. Loan Fund may take any other action deemed appropriate to protect collateral.

Ninety Days (4 Payments) Past Due

- A. Staff of the Church Loan Fund will advise loan committee of severe delinquency and steps that have been taken to cure such.
- B. If a guaranty agreement exists from the International Office, the Secretary General and the Executive Committee liaison for the state/region will be notified that foreclosure is imminent and that a request for any deficiency from foreclosure will follow.
- C. The loan officer from the Church Loan Fund will contact a local attorney to discuss foreclosure procedure. All legal costs incurred by the Loan Fund related to foreclosure will be added as fees to the outstanding balance due.
- D. The loan officer will organize the file for foreclosure action
- E. Loan Fund may take any other action deemed appropriate to protect collateral.

One-hundred Days Past Due

- A. The loan officer from the Church Loan Fund will direct the local attorney to begin foreclosure or take appropriate actions to eliminate the debt with the Loan Fund in lieu of foreclosure. All legal costs incurred by the Loan Fund related to foreclosure will be added as fees to the outstanding balance due.
- B. The loan officer and/or President/CEO of the Church Loan Fund will advise the State/Regional Administrative Bishop, Secretary General, Executive Committee liaison, Chairman of the Church Loan Fund, and Chairman of Loan Committee of the Church Loan Fund that foreclosure action is under way.
- C. Loan Fund may take any other action deemed appropriate to protect collateral.

Early Payoff

There are no prepayment charges. A loan may be pre-paid at any time.

Payoff Amount

A loan administrator at the Church Loan Fund can provide a payoff amount upon request. The amount will be given as per a particular day. In addition, a per diem (daily interest) rate can be provided for every day past the specific date included in the request.

Lien Release

The mortgage document, generally called a Deed of Trust or Mortgage, which secures the real property as collateral for the loan will only be released upon full payment of the mortgage. Depending upon the jurisdiction and the availability of the funds used to pay off the mortgage, the release of the mortgage document might not occur for several weeks following the payoff. The Loan Fund will work as quickly as possible to release the Deed of Trust/Mortgage.

Conclusion

The Church Loan Fund looks forward to partnering with local churches as a lender to assist in proposed acquisitions, building projects, or expansion efforts. While the process may seem overwhelming, the knowledgeable staff of the Loan Fund will assist the local churches through each aspect of the application, funding, and servicing stages. An open and frank dialogue between the staff at the Loan Fund and the representatives of the church from start to finish is vital to eliminate any misunderstandings. So call on the friendly staff at the Loan Fund to answer your lending questions.

Our desire is to help everyone succeed in their labor for the Lord!

The information in this paper is provided as a service by the Church Loan Fund, Inc. and the Church of God Benefits Board, Inc. For more information, you may contact the Church Loan Fund as follows:

***Church Loan Fund, Inc.
4205 North Ocoee Street
Post Office Box 4608
Cleveland, Tennessee 37320-4608
(423) 478-7131 local (877) 478-7190 Toll-free
Web Site: www.churchloanfund.com
E-mail: aconine@churchloanfund.com***

Neither the Board of Trustees nor the staff of the Benefits Board is engaged in rendering financial advice, legal advice, or other financial planning services. If such advice is desired or required, the services of a competent professional should be sought.