

## Overview of the Foundation Loan Program

### Loan Purpose?

- Buy-Sell Property
- Refinance existing indebtedness
- New construction or renovation
- Major repairs (e.g., roof, heating, windows, siding, steeple, etc.)

UMFNE loan programs suitable to the funding needs listed above:

1. Adjustable-Rate Mortgage/Loan (ARM/asset-based collateral)
  - a. Buy Property (Land & Building)
  - b. Refinance existing indebtedness (another lending institution)
    - i. Note: as a standard practice, the Foundation does not refinance existing UMFNE loans
  - c. Construction Loan with optional transition to ARM
  - d. Major repairs (e.g., roof, heating, windows, siding, steeple, etc.)
2. Deferred Maintenance Line of Credit
  - a. Pre-planning for unexpected repairs or in preparation of property/building sale
3. Short Term Credit Line for Sale of Church Owned Property (fees, licensing, building inspection, etc.)
  - a. Surveying of land prior to sale
  - b. Preparation of buildings prior to sale

What is some of the information required for loan consideration?

- Church Statistics
  - Average Weekly Adult Attendance
  - Donor engagement trends and numbers
  - For an A+ rating, have you tracked engagement levels for your congregation?
- Evidence that church debt is properly managed
  - Current debt level is no more than three (3) times unrestricted annual giving
  - Project costs do not exceed cash on hand at time of loan settlement + unrestricted offerings
    - For example: a church with unrestricted offerings of \$50,000 + cash on hand of \$20,000 should limit project costs to \$170,000 ( $\$50,000 \times 3 + \$20,000 = \$170,000$ )
- Consideration of a professionally conducted Capital Campaign
  - Although this can apply to any sizeable project (in \$\$), churches that are planning to expand their facilities, purchase or rebuild, generally run a professionally conducted capital campaign
  - Lenders like to see the results of the campaign prior to providing a financing package, so kicking off a campaign six months to one year before the financing need is best practice
- Debt repayment plan
  - The ability to blend new debt payment into the current operating budget is important

- Having a long-term plan builds confidence within the congregation and externally with your lender
- Loan to Value
  - UMFNE's current guidelines require 75 percent loan to value
  - Value of collateral used to secure the loan must allow for loan to value percentage (75%), including 10 percent reserves of project cost in case of cost overrun
- Cash reserves
  - Known as Designated Cash on Hand
  - Many lenders focus on a church's cash reserves, because it provides a cushion for unexpected expenses, *and it is an indicator of fiscal planning*
  - Your range will vary, but typically a three to six-month reserve to cover all operating expenses is preferred

When do we begin the process?

- It is never too early to have a conversation with a lender that specializes in church financing (the Foundation)
- A specialized lender can assist your leadership team in developing a step-by-step financial plan to a clear path as you prepare for your next facility renovation, expansion, or purchase

Where do we start?

1. Establish minimum operating reserves of three months
2. Gather three years of financials, giving, and attendance trends
3. Decide on a capital campaign consultant (typically one year in advance)
4. Decide on a lender (minimally evaluate two – three potential lenders)
5. Loan should not exceed three times tithes and offerings
6. Identify a plan for paying the loan
7. *Project? Identify a contractor and architect that understand "church"*
8. *Project? Know your city's codes and zoning including existing easements and permit process*

What about emergency repairs to church buildings that may arise from time to time; can the Foundation assist the church in these circumstances?

- Yes, depending upon the circumstances
- Make a call to the foundation and ask to speak with loan officer (extension 107)
- Explain the need and discuss appropriate actions from the "where do I start" list above