



The Church Development Loan Fund Handbook for United Methodist Churches

- ***Construction loans***
- ***Purchase of real estate***
- ***Renovations and/or Repairs***
- ***Refinancing of loans***

***Kansas Area United Methodist Foundation, Inc.
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Thank you for inquiring about a loan from the Kansas Area United Methodist Foundation, Inc (the Foundation). The Foundation has been serving Kansas Area United Methodist Churches, conferences and conference agencies since 1964. One function of the Foundation's mission is offering loans for the purchase of real estate, new construction, renovation of existing facilities, operating loans and re-financing existing loans for United Methodist churches, conferences and conference agencies from the Church Development Loan Fund established by the Foundation.

Any United Methodist Church, conference or conference agency in the state of Kansas is eligible to apply for a Foundation Church Development loan. The following materials outline the criteria for securing a loan, and include an application form and necessary documentation. Please copy the necessary forms from this handbook for your loan application, or remove and use the necessary pages from the handbook.

The information in this loan application book is designed to serve as a basis for future discussions. After you have returned the loan application form and the required documents, the Foundation will review them and, if necessary, schedule a meeting at your location. The Foundation will then determine what additional information or action may be required from the loan applicant. Following the receipt of any additional information or documents requested, the Foundation's Church Development Loan Fund Committee will meet and review the application and other materials, and make a decision on your loan request. It generally takes ten to fourteen business days from receipt of the loan application by the Foundation to process the loan application and provide you with the decision of the Loan Fund Committee. You will be provided a written decision letter from the Foundation. If your loan is approved, the Foundation will send you a commitment letter which will outline the terms and conditions of the loan, and any necessary requirements to be completed before closing of the loan can be scheduled by the Foundation.

CHURCH DEVELOPMENT LOAN FUND
KANSAS AREA UNITED METHODIST FOUNDATION, INC.

POLICIES, LOAN GUIDELINES AND PROCEDURES

PURPOSE

The Church Development Loan Fund (the Fund) is a separate fund of the Kansas Area United Methodist Foundation, Inc. (the Foundation), from which secured loans are made to United Methodist Churches of the Kansas East and the Kansas West Annual Conferences, the Annual Conferences, and to related agencies of said Annual Conferences located in the State of Kansas. Secured loans may be made for the purchase of real estate, construction of new facilities, renovation of existing facilities and grounds, repairs to existing facilities and grounds, operating loans, and re-financing of existing loans with other lenders. The Foundation will also consider a participation loan with another lending agency for qualified applicants. The Fund is financed through the designated assets of the Foundation, and through the investments deposited in Certificates of Participation with the Foundation by United Methodist churches and members of United Methodist churches in Kansas.

ADMINISTRATION

The Church Development Loan Fund is administered by a Church Development Loan Fund Committee of the Foundation, (the Committee), pursuant to the policies and procedures established by the Board of Trustees of the Foundation. The Committee is composed of eight persons elected by the Board of Trustees of the Foundation, with at least four members of the Committee being Trustees of the Foundation. The Executive Director of the Foundation serves as the administrative officer of the Church Development Loan Fund Committee.

LOAN APPLICATIONS

The Committee reviews each loan application. The Committee determines whether a loan application will be approved or denied. The Committee considers only applications that have been made in accordance with the policies and procedures of the Foundation.

In considering each loan application, the Committee may request and review data on construction costs, the value of the property to be used as security for the loan, and the financial capability of the applicant seeking the loan. The Committee may, but is not required, to have a staff member inspect real and personal properties to be used as security for a loan and review cost estimates obtained by the applicant. The Committee may from time to time require independent appraisals of proposed properties to secure a loan.

TYPES OF LOANS

Construction loans are available for applicants who are planning to build a new facility, construct an addition to an existing church structure, or extensive renovations, repairs and improvements to an existing church structure or grounds. Draws will be made on the construction loan as funds are needed for labor and materials during the construction project, with interest accruing from the date of each draw. The interest rate for construction loans shall be a set rate during the term of the construction loan. Monthly interest payments are required during the term of a construction loan. Upon completion of the construction project, the loan will then be converted to an adjustable rate loan for the principal balance of the construction loan.

Adjustable rate loans have several options that allow the Foundation to tailor the loan terms to the needs of the Borrower. The options currently offered by the Foundation are:

Semi-annual adjustable rate loans adjust the interest rate on the loan on January 1 and July 1 of each year during the term of the loan.

Annual adjustable rate loans adjust the interest rate on the loan on January 1 of each year during the term of the loan.

Three year adjustable rate loans keep the same interest rate for the first three years of the loan. The interest rate on the loan is then adjusted three years after the date of the promissory note. Thereafter, the interest rate will be adjusted annually or every three years during the remaining term of the loan, with the Borrower selecting which adjustment period to use when the loan is initially closed with the Foundation.

Five year adjustable rate loans keep the same interest rate for the first five years of the loan. The interest rate on the loan is then adjusted five years after the date of the promissory note. Thereafter, the interest rate will be adjusted annually or every five years during the remaining term of the loan, with the Borrower selecting which adjustment period to use when the loan is initially closed with the Foundation.

Special conditions loans are requested when an applicant seeks loan terms other than a standard adjustable rate loan. Special conditions loans may involve interest only payments on the loan for a period of time, no interest or principal payments until an asset is sold to pay off the loan, or other special circumstances for the loan applicant.

Loan Guidelines

1. Loan amounts shall be limited to not more than 80% of the cost of new construction and/or the purchase of real estate. Loans for operating needs, renovation of existing

facilities or grounds, repairs of existing facilities and to re-finance existing loans may be made for up to 100% of the demonstrated need by the church.

2. The term of adjustable rate loans shall be up to twenty years. Loan payments may be amortized for up to twenty five years, providing for a balloon payment at the end of the loan term.
3. The term of a construction loan shall generally be for up to one year, or upon completion of construction if less than one year.
4. Loans shall be secured by either a first or second real estate mortgage lien, by accounts on deposit with the Foundation, or by marketable securities that are placed with the Foundation during the term of the loan for collateral. When using accounts on deposit with the Foundation as collateral for a loan, the Borrower may borrow up to 75% of the fair market value of the account. When using marketable securities that are placed on deposit with the Foundation as collateral for a loan, the Borrower may borrow up to 75% of the fair market value of the marketable securities.
5. In evaluating the ability of a church to repay a loan, the Committee uses the following guidelines:
 - A. Total annual debt service of the church shall not exceed 33% of the total annual revenue of the church (annual revenue being defined as 1) the operating fund, 2) any capital improvements budget, and 3) any building fund);
 - B. Total annual operating budget and debt service of the church shall not exceed \$2,500 per giving unit (giving unit defined as pledge or regular contribution);
 - C. Total loan amount shall not exceed \$3,500 per giving unit;
 - D. Annual debt service per giving unit of a church shall not exceed \$500.00.
6. The church must consent to not assume any additional debt without the prior written consent of the Foundation during the term of the loan.
7. The church must agree to pay the recording fees and mortgage registration tax for a real estate mortgage, and the cost of a mortgagee's title insurance policy on the real estate subject to the mortgage. If an appraisal of the collateral is required, or an environmental audit is required, such costs shall be paid by the church.
8. An approved loan shall be fully disbursed within twelve (12) months of the date of the loan commitment by the Foundation, or a new loan application shall be required from the Borrower upon the expiration of twelve months from the date of the Foundation's loan commitment.

INTEREST RATES

The Committee establishes a base interest rate for Foundation loans as of January 1 of each year. The Committee may commit to a Borrower that the interest rate on a loan will be the Foundation's base rate during the term of the loan, or the Committee may grant a variance from the base interest rate. A variance from the base interest rate may be granted depending on the purpose of the loan, the financial strength of the Borrower,

the requested term of the loan, and any other relevant factors as determined by the Committee.

The interest on loans will be computed on simple interest with interest computed to date of receipt of payment. All payments shall first be credited to interest, and the balance to principal.

DEFAULT IN LOAN PAYMENTS

The Foundation shall collect past due notes using all remedies available to it. These guidelines will be followed where appropriate:

- A. 10 days past due; a phone call will be made to the Borrower, and a letter sent;
- B. 30 days past due; a past due letter will be sent and another phone call placed to the Borrower;
- C. 60 days past due; a second past due letter and phone call will be placed to the Borrower, and the District Superintendent copied;
- D. 75 days past due; a meeting will be scheduled with the appropriate parties of the Borrower and the District Superintendent. The Bishop will be sent copies of all correspondence, as will any other appropriate conference agency;
- E. 90 days past due; the note will be referred to the Board of Trustees of the Kansas Area United Methodist Foundation, Inc. for further action, including, but not limited to, foreclosure proceedings in the appropriate court.

LOAN APPLICATION REQUIREMENTS

1. The Loan Application form and supporting materials shall be completed and submitted to the Foundation's office prior to formal consideration of a loan request.
2. Materials to be submitted to the Foundation shall include, but are not restricted to:
 - A. A completed Loan Application form;
 - B. Project description, purpose, and, if applicable a copy of contracts and commitments which have been entered into at that time;
 - C. For Churches, the signed consent of the District Superintendent and Senior Pastor.
 - D. For Churches, the signed report of the District Board of Church Location and Building, which consents to such project and financing if the project requires such consent, and the consent of other annual conference agencies as appropriate, and such other requirements as set out in the Book of Discipline of The United Methodist Church;
 - E. The consent of proper governmental authorities, such as zoning, building and inspection;
 - F. Financial statements, balance sheets, and income and expense statements for the current year and the two preceding fiscal years of the applicant;
 - G. For Churches, a copy of the Annual Conference Statistical Report for the two preceding years;

- H. The capital funds drive results, including total pledges and payout time line;
- I. Annual financial audit reports for two previous calendar years;
- J. Environmental Audit of the real estate taken as security if required by the Committee;
- K. If the borrower is incorporated, a copy of the Articles of Incorporation and Bylaws.
- L. Other information, data and materials as requested by the committee.

Closing Requirements

- Promissory note executed by proper officers of the Borrower.
- If a real estate mortgage is required, the loan will be secured by a real estate mortgage on the real estate owned by the Borrower, and any real estate to be purchased for any building project. The Committee may waive the requirement of a mortgage on a parsonage that is separate and apart from the project under consideration. The mortgage will require that the Borrower may not assume any additional debt without the prior written consent of the Foundation during the term of the loan. The authorized officers of the Borrower must execute the mortgage. The Borrower will be responsible for all mortgage filing fees and mortgage registration taxes.
- If an account or accounts on deposit with the Foundation are used as collateral for the loan, an Assignment of Account(s) shall be executed by the Borrower through its duly authorized officers.
- If the Borrower offers securities as collateral for the loan, the securities shall be transferred to the Foundation to be held in the name of the Foundation during the term of the loan. Upon payment of the loan in full, then the securities will be transferred to the Borrower.
- A certificate of resolution by the Board of Trustees of the Borrower, which resolution accepts the terms of the Letter of Commitment from the Foundation, authorizes the borrowing of funds, authorizes the mortgaging of the real estate, if applicable, authorizes the assignment of accounts with the Foundation, if applicable, authorizes the transfer of securities to the Foundation as collateral, if applicable, designates the officers of the borrower to execute the promissory notes and mortgage, authorizes payment of the mortgage expenses and mortgagee title expenses, and such other matters as needed or requested by the Committee.
- If a real estate mortgage is used, a mortgagee's title policy paid by the Borrower, insuring merchantable title in the Borrower, and showing the Foundation in a first or second mortgage position, as determined by the Committee, in the amount of the loan. The Borrower must cooperate in meeting any title requirements made by the title company.

- If a real estate mortgage is used, evidence of appropriate and adequate insurance on the real estate and improvements thereon subject to the Foundation's mortgage, which insurance coverage shows the Foundation as an additional insured party during the term of the loan, including:
 - A. Builder's Risk Construction Insurance, or a sufficient letter of credit from a commercial lending institution, during the period of construction for a construction loan;
 - B. Standard hazard and general liability insurance, in an amount as approved by the Committee;
 - C. Flood insurance, if any of the secured real estate is located in a flood plain, or as otherwise required by the Committee.
- For a construction loan, a performance bond or a Letter of Credit from the contractor, when deemed necessary by the Committee
- An environmental audit acceptable to the Committee, if required by the Committee.
- Any other documents requested by the Committee.

LOAN REPAYMENT CONDITIONS

1. A single monthly payment of interest and principal shall be due and payable the first day of each month for adjustable rate loans.
2. A single monthly payment of interest only shall be due and payable the first day of each month for construction loans, beginning the first day of the succeeding month following the first disbursement.
3. There shall be no prepayment penalties; however, prepayments on principal may be made only at the time of the regular monthly payment. Any partial prepayment of principal shall not relieve the Borrower of their requirement to make the required monthly payments as scheduled.
4. A late fee of five percent (5%) of the monthly payment will be charged on loan payments postmarked and/or received ten days after the due date.

These policies, guidelines and procedures may be amended at any time, and from time to time by the Board of Trustees of the Kansas Area United Methodist Foundation, Inc.

CHURCH DEVELOPMENT LOAN FUND
Kansas Area United Methodist Foundation, Inc.

CHURCH LOAN APPLICATION

Date of Application _____, _____

I. GENERAL INFORMATION (please print or type)

Name of Church: _____

Address: _____

Telephone number: _____

Senior Pastor: _____

Contact person for loan application: _____

Address of contact person: _____

Telephone number of contact person: _____

Is your church incorporated ____yes ____no

If incorporated, please give exact corporate name _____

Board of Trustee's Chairperson _____

Board of Trustee's Secretary _____

Secretary of Church/Charge Conference _____

II. PROJECT INFORMATION

Give a brief description of your project and the purpose of the loan:

What is the time line you plan to follow to complete the project?

Describe:

If refinancing, please state the name, address, phone number and contact person of your existing lender, and why you are seeking to refinance the loan:

III. PROJECT FINANCIAL INFORMATION

A. For purchase of real estate, construction, renovation or repair projects, complete Section A and Section C.

Total cost of project:

Estimated: \$ _____ or Bid \$ _____

Amount of loan requested:

Estimated: \$ _____ or Actual \$ _____

Cash on hand:

Estimated: \$ _____ or Actual \$ _____

Pledges to be collected by end of construction:

Estimated: \$ _____ or Actual \$ _____

Approved Grants from Conference:

Estimated: \$ _____ or Actual \$ _____

Funds from other sources:

Estimated: \$ _____ or Actual \$ _____

Is a construction loan requested? _____ yes _____ no

B. For refinancing of existing loan, complete Section B and Section C:

Principal balance of existing loan: \$ _____

When is next loan payment due? _____

C. Term and Amortization of requested loan:

Term of loan requested (not to exceed 20 years) _____ years

Amortization period requested (not to exceed 25 years) _____ years

IV. ADJUSTABLE RATE LOANS

Please select the type of an Adjustable Rate Loan that you are considering:

_____ Semi-Annual Adjustable Rate Loan

_____ Annual Adjustable Rate Loan

- Three Year Adjustable Rate Loan
Select one of the following:
 Adjust annually after first three years
 Adjust every three years after first three years
- Five Year Adjustable Rate Loan
Select one of the following:
 Adjust Annually after first five years
 Adjust every five years after first five years

V. **SPECIAL CONDITIONS LOAN**

Please prepare a written request for any special conditions that you are requesting for your loan, and attach it to this loan application.

VI. **LOAN COLLATERAL**

The applicant anticipates that the loan will be secured by:

- Real estate mortgage
(attach legal description and street address of real estate)
- Accounts on deposit with the Foundation
- Securities (attach list of securities and number of shares)

VII. STATISTICAL and FINANCIAL INFORMATION

	Two Years Prior	One Year Prior	Present Year
Membership	_____	_____	_____
	(as of 12/31)	(as of 12/31)	(to date)
Average attendance at worship	_____	_____	_____
Church School Enrollment	_____	_____	_____
	(as of 12/31)	(as of 12/31)	
Average Church School Attendance	_____	_____	_____
Number of giving units	_____	_____	_____
	(as of 12/31)	(as of 12/31)	
Operating Budget and Finances	Two Years Prior	One Year Prior	Present Year
Amount Budgeted	\$ _____	\$ _____	\$ _____
Amount Actually Paid	_____	_____	_____
Apportionments and askings apportioned	_____	_____	_____
Apportionments and askings paid	_____	_____	_____
Building Funds & other non-budget funds			
Budgeted for debt retirement	_____	_____	_____
Paid for debt retirement	_____	_____	_____
Total funds received for all purposes	_____	_____	_____
Total Expenses paid for all purposes	_____	_____	_____

VIII. PROPERTY VALUES

Please show the current fair market value for the following items of property where applicable, and any indebtedness against such property. For the basis of value, show whether you used an appraisal, insurance value, purchase cost, county appraiser's value or other source, and the date of such valuation.

	Fair Market Value	Indebtedness	Monthly Payment	Basis of Value
Church site	\$ _____	\$ _____	\$ _____	_____
Date				_____
Church buildings	_____	_____	_____	_____
Date				_____
Parsonage	_____	_____	_____	_____
Date				_____
New site	_____	_____	_____	_____
Date				_____
Other real property	_____	_____	_____	_____
Date				_____
TOTAL	_____	_____	_____	

IX. CAPITAL FUNDS CAMPAIGN

A Capital Funds campaign was conducted _____ (dates) by _____ (i.e., local church, name of professional fund raiser, etc.). Pledges were received from _____ giving units, and the total amount pledged is \$ _____, payable during the period of _____, _____ through _____, _____.

As of _____, _____ the total amount received from these pledges is \$_____.

Another capital funds campaign will be held on _____, _____ to secure additional pledges for debt retirement. It is anticipated that the capital funds campaign will be conducted by _____.

X. ANTICIPATED GROWTH

List and briefly explain your growth ministries:

Where do you project your church to be in two years and five years:

	two years	five years
church membership	_____	_____
worship attendance	_____	_____
church school attendance	_____	_____
church budget	\$_____	\$_____

ATTACHMENTS REQUIRED TO BE SUBMITTED WITH THIS LOAN APPLICATION:

- ___ Copy of construction contracts, purchase agreements, and other commitments for the project that currently exist.

- ___ Executed consent form from the District Superintendent and senior pastor.

- ___ Certificate of approval by the District Board of Church Location and Building if such approval is required pursuant to the Book of Discipline.

- ___ Copies of all required governmental permits.

- ___ Copies of financial statements, balance sheets and income and expense statements for the church for the current year and last two previous years.

- ___ Copy of annual conference statistical report for last two previous years.

- ___ Copy of annual audit report for last two previous years.

**CERTIFICATE OF RESOLUTION OF THE
CHURCH/CHARGE CONFERENCE**

This is to certify that the Church/Charge Conference of the _____
United Methodist Church of _____, Kansas, (the
“Church”) at a meeting duly convened on the _____ day of _____,
_____, adopted the following resolution:

“RESOLVED, that the Church be and is hereby authorized and empowered to borrow
from the Kansas Area United Methodist Foundation, Inc., or from such other lender as
the Board of the Trustees of the Church may determine, an amount not to exceed
\$_____, for the purpose of _____

and to be secured by a mortgage lien on the real estate owned by the Church as
described in Exhibit “A” attached hereto.

BE IT FURTHER RESOLVED that the Board of Trustees of the Church are authorized
to negotiate the terms and conditions of such loan and mortgage on behalf of the
church; that any two officers of the Board of Trustees are authorized and directed to
take such actions and execute and deliver such instruments or documents related to
such loan and mortgages as they in their discretion deem necessary or appropriate,
including, but not limited to, the execution and delivery of one or more promissory notes,
real estate mortgages, security agreements, financing statements, commitment letters,
loan agreements; and that the actions so taken and the instruments and documents so
executed and delivered are hereby ratified and approved as the binding act and deed of
the Church.

BE IT FURTHER RESOLVED that any two officers of the Board of Trustees of the Church are authorized to take such actions and execute and deliver such instruments and documents as they in their discretion deem necessary or appropriate to renew, extend, rearrange, modify, amend or otherwise change the terms of the loan or mortgage without further action of the Charge Conference, Church Council or other equivalent governing body of the Church, including but not limited to, the execution and delivery of one or more renewals, extensions, modification agreements, and new promissory notes, security agreements; and that the actions so taken and the instruments and documents so executed and delivered are hereby ratified and approved as the binding act and deed of the Church; and

BE IT FURTHER RESOLVED that the loan and mortgage and all actions taken or to be taken in connection with the loan and mortgage by or on behalf of the Church have been, and hereby are, approved and confirmed as required by the Book of Discipline of The United Methodist Church now in effect.

Executed this _____ day of _____, _____.

Church/Charge Conference Recording Secretary

District Superintendent or Presiding Elder

**APPROVAL OF THE DISTRICT COMMITTEE ON
CHURCH LOCATION AND BUILDING**

We, the undersigned, hereby certify that at a meeting of the District Board of Church Location and Building of the _____ District of the Kansas _____ Annual Conference of The United Methodist Church, held on _____, _____, the building plans of the _____ United Methodist Church of _____, Kansas, were approved, and it was recommended that a loan not to exceed \$_____ be obtained.

President of the District Board of
Church Location and Building

Dated: _____

Secretary of the District Board of
Church Location and Building

Dated: _____

**CONSENT OF DISTRICT SUPERINTENDENT
AND SENIOR PASTOR**

We hereby certify that we have examined the statements given in the application for a loan from the Church Development Loan Fund of the Kansas Area United Methodist Foundation, Inc., and they are true and correct to the best of our knowledge and belief. The Church/Charge Conference of the church and the District Board of Church Location and Building have approved and authorized the project and loan, and we recommend that a loan be granted by the Kansas Area United Methodist Foundation, Inc. in an amount not to exceed the amount indicated below.

District Superintendent

Dated: _____

Loan Amount: \$ _____

Senior Pastor

Dated: _____

Loan Amount \$ _____