

# Deposit and Loan Fund

## Loan Policy

Old Policy (prior to 12/15/2011):

No loans are made other than on an emergency basis. Locations need to have 100% of total project costs in currently available funds prior to starting the project.

New-Revised Policy (12/15/2011):

- a) Loans requests are to be made in writing to the Diocesan Finance Council through the offices of the Diocesan Chief Financial Officer. The requests must be signed by the Pastor and the Chair of the Finance Committee of the Parish (and, if the loan is for the school, by the principal and school finance committee chair and the Superintendent of Schools).
- b) Only requests for capital improvement projects will be considered. No requests for operating loans will be considered.
- c) Requests will include:
  - i) Description of the project including building size and use.
  - ii) Building cost including all hard and soft costs
  - iii) Sources of funds including cash on hand and description of other sources of funds. If a campaign to raise funds is needed provide a copy of the financial feasibility study, discuss who will conduct the campaign and the cost to conduct the campaign and state whether the Bishop has given approval to do the capital campaign.
  - iv) Construction period, contractor and architect.
  - v) Comments received from the Diocesan Building Committee
  - vi) Financial statements of the requesting entity showing ability to debt service the requested loan
  - vii) Requested amount and payback period
- d) Underwriting guidelines:
  - i) 50% of the total project cost must be paid from cash on hand prior to the start of the project
  - ii) The balance of the total project costs will be from pledges whose redemption period is no more than 5 years.
  - iii) All pledges must be in writing and copies delivered to the CFO for verification and application of the advance rates determined by this policy. The total loan availability will be dependent upon cash and acceptable pledges in hand prior to start of construction.
  - iv) An advance rate will be applied to the pledges. The advance rate will vary from 40% to 90% depending on the term of the pledge and performance by the parish in prior campaigns (parish campaigns, ADA campaigns and the Rooted in Faith Campaign).
    - (1) Example: For a 1 year pledge the advance rate will be 90%, but this may be modified substantially lower if the historical collection on pledges for less than a year is less than 90% (source of data for this may be the ADA campaign in the Parish). For a 5 year

- pledge the advance rate will be 50%, but this may be modified lower if the collection on pledges from longer campaigns, such as Rooted in Faith, shows lower performance.
- v) Interest rate for the loan will be Prime rate plus 1% adjusted every six months. The Prime rate is as published in the Wall Street Journal.
  - vi) Parishes or schools applying for loans must be in total compliance with the terms and conditions of any outstanding loans that they have. The balance of the existing loan will be added to the new loan request to determine the amount of cash and pledges that are needed to enable consideration of the additional amount.
  - vii) No new loans will be granted to those locations that have loans on non-accrual of interest or that are on special payment terms.
  - viii) Loan term not to exceed the term of the expected pledge receipts but in no case longer than 5 years.
- e) Other requirements:
- i) Review of the loan application prior to submission to the Finance Council by a committee composed of designated members of the Diocesan Building Committee, the Diocesan Finance Committee and the Diocesan Chief Financial Officer.
  - ii) All loans will require the borrower to have their Quickbooks financial program housed on the Right Networks hosted site and provide access to the CFO to enable the pull of quarterly financial statements. This access will be implemented prior to granting of any loan and be maintained in working condition thereafter.
  - iii) All loans will require a semi-annual statement from the borrower's Finance Council Chair that the loan is paid current according to its terms and that the borrower continues to have a positive cash flow.
  - iv) Generally, the amount of total loans outstanding and committed but unfunded will not exceed 70% of total Parish and school Deposits. If needs are greater than the 70%, the Finance Council will review the maximum limitation.
  - v) The final loan amount to be committed to by the Deposit and Loan Fund will be based on a review of copies of written pledges and pledge terms with the total commitment per the guidelines in 'd' above.