

26 – LOANS

Definitions:

Standard Term Loans: All loans made by the Diocesan Deposit and Loan System are Standard Loans unless otherwise stated.

Bridge Loans: Bridge Loans are short term loans where the entire amount borrowed is not on deposit with the Diocesan Deposit and Loan System. These loans are usually based on anticipated pledge collections, the proceeds from the sale of a Parish or School asset, a bequest, or other sources of funds that will be collected during the loan repayment period.

26.1. Policy The Diocesan Deposit and Loan System is permitted to make Bridge Loans if approved by the Diocesan Finance Council and College of Consultors.

26.2. Policy With the approval of the Diocesan Finance Council and the written consent of the Diocesan CFO, 50% of the project must be deposited with the Diocesan Deposit and Loan System before construction begins. Without the approval of the Diocesan Finance Council and the written consent of the Diocesan CFO, 100% of the project cost must be deposited with the Diocesan Deposit and Loan System before construction begins. All Standard Term Loans must be 100% pre-funded by the borrowing Parish or School except for funds expended for architect's and liturgical consultant's fees, fundraising expenses, survey and permit fees, and other pre-construction expenses.

26.3. Policy Loan requests must be made in writing to the Diocesan Finance Council through the Diocesan CFO. The request must be signed by the Pastor/Minister of Parish Life and Chair of the Parish Finance Council. If the request is for the school, the request must be signed by the Principal, Chair of the School Finance Committee, Superintendent of School, and Pastor/Minister of Parish Life if a parish affiliated school. Only requests for capital improvement projects will be considered.

26.4. Policy Loan requests must include the following:

- 1) Description of the project including building size and use;
- 2) Building cost including all hard and soft costs;
- 3) Sources of funds, including cash on hand and description of other sources of funds. If a capital campaign to raise funds is needed, provide a copy of the financial feasibility study, discuss who will conduct the campaign, the cost to conduct the campaign, and state whether the Bishop has given approval to carry out the capital campaign;
- 4) Construction period, contractor and architect;
- 5) Comments received from the Diocesan Building Committee;
- 6) Financial Statements of the requesting entity showing ability to debt service the requested loan; and
- 7) Requested amount and payback period.

Diocese of San Jose
Financial Policy Manual

26.5. Policy The following are loan underwriting guidelines:

- 1) 50% of the total project cost must be cash on hand and funds committed to pay for the project before the project starts;
- 2) The balance of the total project cost will be from pledges whose redemption period is no more than five years;
- 3) All pledges must be in writing and received by the Diocesan CFO;
- 4) An advance rate will be applied to the pledges. The advance rate varies from 40% to 90% of pledge value depending on the term of the pledge and performance by the parish in prior campaigns;
- 5) The loan amount available is dependent upon cash and acceptable pledges in hand prior to start of construction;
- 6) Any existing loans held by the parish or school must be in compliance with loan terms and conditions. The balance of the existing loan will be added to the loan request to determine the amount of cash and pledges needed to enable consideration of the additional amount. If existing loans are on special payments terms, such as not accruing interest, additional loans will not be granted;
- 7) Total loan granted will not exceed 70% of parish and school deposits; and
- 8) The parish or school must have their QuickBooks financial software housed and maintained on the Right Networks hosted site prior to a loan being granted and using standardized chart of accounts, ensuring the Diocesan CFO's access to pull quarterly financial statements.

26.6. Policy Loan requests are reviewed by a committee composed of designated members from the Diocesan Building Committee, the Diocesan Finance Council, and the Diocesan CFO.

26.7. Policy Loan interest rate will be Prime rate, as published in The Wall Street Journal, plus 1% which can be adjusted every six months.

26.8. Policy Loan terms are not longer than five years.

26.9. Policy Monthly interest payments will be due on loan draws during the construction period. Monthly payments of principal and interest will begin when construction is completed.

26.10. Policy There is no penalty for early payment of a Standard Term Loan or a Bridge Loan.

26.11. Policy The Chair of the Parish or School Finance Committee must send a written semi-annual statement to the Diocesan Finance Council through the Diocesan CFO verifying the loan is paid current according to its terms and the parish or school continues to have a positive cash flow.