Church Building Loans Policies and Guidelines

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BAPTIST FOUNDATION
OF INDIANA

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I. Purpose

The Baptist Foundation of Indiana ("Foundation") offers church building loans to Southern Baptist entities in Indiana and to other Southern Baptist entities with like beliefs and commitments as the Southern Baptist Convention of Indiana ("SCBI").

II. Scope

The Church Building Loans Policies and Guidelines govern the administration of the Church Building Loan program offered by the Foundation.

III. Responsibility

The Foundation Loan Services Committee ("Committee") is a standing committee of the Board of Directors ("Board") created to fulfill the responsibilities of the Board related to the Church Building Loan program. As a standing committee, they shall report to the Board and only discharge those responsibilities specifically assigned to them by the Foundation Loan Services Committee Charter.

The Committee acts as a fiduciary, and, as such, is responsible for directing, monitoring, and evaluating church building loans as defined within the scope of this Policy.

IV. Guiding Principles

1. The Church Building Loan program of the Foundation is a credit assistance program for the benefit of the members of the Foundation. Members are identified as Southern Baptist entities which are cooperating with the SCBI or a state Southern Baptist Convention with like beliefs and commitments as the SCBI.
2. First mortgage loans are made to qualifying members for construction and permanent financing loans, acquisition of property and buildings, and other church related purposes.
3. The funds loaned under this program are not the property of the Foundation, but are funds held in trust for the benefit of Baptist and charitable causes designated by donors and by funds invested directly in the Church Building Loan pool by member entities. The earnings and interest received from loans are distributed to the designated account through a Fixed Income Pool.
4. The program is administered by the Foundation Loan Services Committee, also known as the Investment Committee, composed of members of the Board. In discharging duties of approving loans to members, the Committee is guided by the Church Building Loans Policies and Guidelines.

V. Policy Statements

1. Minimum Eligibility.

1.1 Denominational Loyalty. Members applying for loans must be able to demonstrate, to the satisfaction of the Foundation, regular contributions to mission causes through the Cooperative Program. In the event a member ceases to cooperate with the SCBI, or a state Southern Baptist Convention in the state in which the member is located, **the remaining indebtedness shall become due and payable on call**.

2. Debt Service Ratio.

2.1 No loan shall be made where installment payments on indebtedness, including payments on a loan to the Foundation, exceeds twenty-five (25%) of the average annual budget receipts for the two (2) previous years. Members receiving loans from the Foundation shall agree to not increase indebtedness beyond the twenty-five (25%) debt service ratio limit without prior written permission from the Foundation. Failure to secure such written consent may result in the loan becoming due and payable on call.

2.2 Exception to the "debt ratio" policy set forth in policy may be made by the Foundation Loan Services Committee when a member has completed a pledge program that will raise cash, within a three (3) year period, toward payment of the project. In such cases a loan amount equal to a 20% debt service amount may be loaned to the member along with an additional amount of up to one-half (½) the total outstanding pledges.

2.3 A member approved under this exception shall agree to pay the required minimum monthly payment by automatic bank draft from their general undesignated budget receipts during the first 36 months of the loan. They shall further agree to pay all monies received for the payment of pledges directly to the Foundation as principal reduction of the loan. The required monthly payment will be adjusted at the end of the thirty-six (36) month period by re-amortizing the principal balance at that time for the remaining term of the note at the effective interest rate chosen by the borrower at the beginning of the loan and adjusted according to the interest rate policy.

3. Loan to Value Ratio.

3.1 No loan shall be made where the loan amount exceeds fifty percent (50%) of the market value of the property and facilities offered as collateral. The value of new construction shall be included in the market value.

3.2 **Exception to Loan Value Ratio.**

3.2.1 Exception to the Loan Value Ratio requirement set forth above may be made when a member is borrowing funds for the purchase, construction, or renovation of a member owned parsonage. In such cases, an amount equal to seventy-five percent (75%) of the market value may be loaned.

3.2.2 Exception to the Loan Value Ratio set forth above may be made when a loan is made to the SCBI or a Southern Baptist associational entity or is guaranteed by the SCBI or a Southern Baptist associational entity. In such cases, an amount equal to seventy-five percent (75%) of the market value may be loaned.

3.2.3 Any loan request with a Loan to Value Ratio in excess of fifty-five percent (55%) shall be approved by the Board of the Foundation.

4. Collateral.

4.1 Church building loans shall be secured by a first mortgage on real property owned by the member. Construction, renovation, or purchase of a cabin leased Southern Baptist campgrounds will require the main property and facilities of the member as collateral.

4.2 The Foundation shall fund an approved loan to a member purchasing land and/or buildings, after all terms and provisions for purchase of the property have been fulfilled by both seller and buyer.

5. Lending Limit.

5.1 No single loan or combination of loans shall be made where the total amount loaned to a member exceeds Three Million Dollars ($3,000,000.00).

6. Approval of Loan Requests.

6.1 Final approval or denial of loan requests shall be made at a regular or special meeting of the Committee and/or the Board of the Foundation.

7. Exceptions.

7.1 Exceptions to the above stated policies shall require the approval of the Board of the Foundation.

VI. Guidelines

1. Administrative Guidelines.

1.1 **Written Budget.** Members applying for loans must have a written budget which is adopted at least annually by congregational action and must give evidence of a consistent pattern of church financial operations.

1.2 **Location and Need.** Members applying for loans shall be located in communities which represent opportunities for building and maintaining a church. Members shall comply with city, county, and state fire codes and building regulations.

1.3 **Incorporation.** Members applying for loans must be incorporated in the state in which the member is located.

2. Application Process.

2.1 All applications for loans shall be made on forms provided by the Foundation.

2.2 Information submitted by the member on the application forms must be current and complete.

2.3 When applications have been received and evaluated, a representative of the Foundation shall arrange a meeting with the member. The purpose of such meetings shall be to discuss the loan request, actions required to process the loan and mortgage property, and the Foundation's purposes and obligations in the administration of the Church Building Loan program.

2.4 A Foundation representative will, prior to the approval of any loan request, inspect the real property and improvements that are to be used as collateral for the loan.

2.5 A Foundation representative will perform a market value analysis on real property pledged as collateral for a loan.

3. Interest Rates

3.1 The Committee shall establish interest rates as market conditions dictate. The interest charged to members shall be in the rate in effect when the loan documents are executed.

3.2 Members shall have the option of choosing from the currently available adjustable rates of interest:

3.2.1 **1 Year Adjustable Interest Rate:** This interest rate will be adjusted to the Foundation's 1 Year Adjustable Interest Rate on each anniversary date of the original promissory note. The interest rate may not be increased or decreased more than one and one-half percent (1 ½%) (150 basis points) per adjustment or more than five percent (5%) (500 basis points) over the duration of the loan.

3.2.2 **3 Year Adjustable Interest Rate:** This interest rate will be adjusted to the Foundation's 3 Year Adjustable Interest Rate on each third (3^{rd}) anniversary date of the original promissory note. The interest rate may not be increased or decreased more than three percent (3%) (300 basis points) per adjustment or more than five percent (5%) (500 basis points) over the duration of the loan.

3.2.3 **5 Year Adjustable Interest Rate:** This interest rate will be adjusted to the 5 Year Adjustable Interest Rate on the fifth (5^{th}) anniversary date of the original promissory note. The interest rate may not be increased or decreased more than five percent (5%) (500 basis points) per adjustment over the duration of the loan.

3.3 The interest rate shall be fixed for the adjustable rate period chosen by the member at the time of closing.

3.4 Loans will be amortized at the time of closing and again at the date of each adjustable interest rate period chosen by the member. Monthly installment payments shall include accrued interest on the unpaid principal balance and a monthly principal reduction necessary to retire the loan without the remaining term of the loan.

4. Method of Payment.

4.1 The Permanent Financing Phase shall not exceed twenty (20) years.

4.2 Prepayment of the principal may be made at any time without penalty.

4.3 Monthly loan payments may be accomplished by automatic bank draft by the Foundation on the member's account on the first (1^{st}) or fifteenth (15^{th}) day of each month or the first business day thereafter.

4.4 A borrower requesting the deferment of monthly payments of principal and interest during the Permanent Financing Phase or interest only payments during the Construction Phase of any loan shall be considered by the Committee.

5. Mortgage Title Insurance.

5.1 A mortgage title insurance policy from a mortgage title insurance underwriter shall be required on loans in excess of Fifty Thousand Dollars ($50,000.00) on real property used as collateral. A mortgage title report must be received and all requirements, if any, satisfied before loan documents can be executed.

5.2 A mortgage title insurance report from a mortgage title insurance underwriter shall be required on loans in excess of Fifty Thousand Dollars ($50,000.00) on real property used as collateral. A mortgage title report must be received and all requirements, if any, satisfied before loan documents can be executed.

6. Types of Loans

6.1 **Construction Financing.** When property market value is sufficient, a loan may be established before the project is begun and the loan funds used for construction. Upon completion of the project or up to 24 months, whichever is earlier, fully amortized payments shall begin with monthly principal and interest payments required.

6.1.1 The interest rate charged during the Construction Phase shall be at the 1 Year Adjustable Interest Rate and shall be fixed during the full term of the Construction Phase, not to exceed 24 months. A Construction Phase exceeding 24 months shall require the approval of the Board of the Foundation and the interest rate will be adjusted to the current 1 Year Adjustable Rate of Interest.

6.1.2 Monthly interest only payments shall be required during the Construction Phase. The interest payments will be the accrued interest based on the daily principal balance during the month.

6.1.3 At the conclusion of the Construction Phase, the outstanding principal balance will be automatically converted to the Permanent Financing Phase at the adjustable interest rate previously chosen by the member.

6.2 **Amortizing Loans.** The Foundation will make fully amortizing loans for acquisition of additional property and buildings and other church related purposes for up to twenty (20) years and will be structured under one of the currently available adjustable interest rates as chosen by the member.

7. Insurance.

7.1 Members shall maintain full coverage insurance on properties held as collateral on loans with the Foundation. Coverage shall include fire and extended coverage (including flood insurance, if property is located in a recognized flood plain) during the full term of the loan, is an amount necessary to protect the loan. The policy shall list the Foundation as loss payee. Proof of insurance shall be required prior to closing and throughout the term of the loan.

8. Future Advance Clause.

8.1 The Future Additional Advance (“Advance”) clause permits a borrower, on written request and approval of the Foundation, to draw amounts or re-advance prepayments of principal. The prepayments that could be drawn upon would generally be limited to principal prepayments in excess of regularly scheduled payments of principal and interest. The Foundation would have sole discretion over approval of the Advance.

8.2 Following church approval, the borrower shall submit a written request along with current financial information, stating the amount of the Advance. The amount of the Advance shall not exceed the amount of prepayment of principal and could, in some instances, be an amount less than the prepayment of principal.

8.3 The amount of the Advance would be subject to the applicable amortization schedule in effect at the time the request is made and approved by the Foundation. If an amount requested would jeopardize the remaining amortization of the loan based on the current monthly payment, the amount of the monthly payment would increase so as to fully amortize the loan for the remaining term of the loan. However, the increase in the monthly payment based on the Advance and the new principal balance of the loan, shall not exceed the twenty-five percent (25%) debt service ratio of the borrower, based on current financial information of the borrower, as outlined in V. Policy Statements; 2. Debt

Service Ratio; 2.1. of the Church Building Loan Policies and Guidelines in effect at the time of the Advance.

8.4 There shall be a fee of 0.25% of the amount of the Advance for each Advance made under the terms of this clause.

8.5 The approval of the Advance will be at the sole discretion of the Foundation, whether or not the borrower meets the condition of the Future Advance Clause.

10. Fee Schedule.

Fees are charged by the Foundation to cover its administrative and overhead costs.

10.1 Origination Fee. The origination fee shall be based on the loan amount at origination as follows:

10.1.1 $10,000 up to and including $300,000 – One percent (1%), maximum of $3,000

10.1.2 $300,001 up to and including $600,000 – $3,000 plus one-half percent (1/2%) of amount over $300,000

10.1.3 $600,001 and over – $4,500 plus one-quarter (1/4%) of amount over $600,000

10.2 Mortgage Filing Fee. Member shall be responsible for paying the fee to file the mortgage and any other documents necessary to perfect the Foundation's priority lien on the real property being used as collateral.

10.3 Mortgage Title Insurance/Mortgage Title Report. Member shall be responsible for paying the costs associated with providing the Foundation with a clear and marketable title to the real property being used as collateral.

10.4 Other Associated Costs. Member shall be responsible for any other costs associated with completing the transaction.

10.5 All fees will be collected when the loan is closed.

11. Miscellaneous.

11.1 A loan shall be scheduled for closing only after final inspection is made and approved by a Baptist Foundation representative, title policy/title report requirements are satisfied, and proof of insurance coverage is provided.

11.2 The Foundation will pay the cost of mortgage tax associated with the transaction.

11.3 The abstract of the real property being used as collateral shall be stored off the member's premises for safekeeping during the term of the loan. The cost of rebuilding a lost abstract will be the responsibility of the member.

12. Privacy Statement. The Foundation shall rely upon written instructions signed by designated representatives of the member in regard to any information pertaining to a pending church building loan application or an existing church building loan. Additionally, the Foundation shall communicate by telephone, email, or any other means of communication only with designated representatives of the member in regards to a pending church building loan application or an existing church building loan.