

**CHRISTIAN REFORMED CHURCH LOAN FUND, INC., U.S.**

### **POLICIES FOR MORTGAGE LOANS**

# Section I – General Provisions

# Eligible Loans

1. Purchase or construction of church buildings and/or parsonages.
2. Capital improvements to existing church buildings or parsonages.
3. Site purchase.

## Eligible Churches

1. Organized churches of the Christian Reformed Church.
2. Churches which are refinancing Home Missions loans and are no longer funded

by Christian Reformed Home Missions/New Church Development.

1. Churches which have joined the Christian Reformed Church by affiliation are

 eligible after being an organized congregation in the Christian Reformed Church for

 three years.

## Application Requirements

1. Completion of the Loan Fund Application with required attachments.
2. Classical endorsement by the Classis of which the church is a member.
3. Churches that are applying for loans which will subsidized and/or guaranteed by Home Missions must also have the endorsement of the Classical Home Missions Committee of its Classis, as well as the endorsement of the churches Home Missions Regional Director and Home Missions Intercultural Director (if applicable).
4. A signed copy of the congregational minutes approving the project and approving borrowing from the Loan Fund and elsewhere, as applicable.
5. The name, address, and phone number of the church’s attorney.
6. A copy of the purchase agreement and/or construction contract, as applicable.
7. If purchasing, a copy of a current appraisal of the subject property.
8. If the application is for a construction or capital improvement loan, a site plan, a floor plan, and an elevation sketch should be provided on 8 1/2” X 11” sheets.
9. Last three years and year-to-date income and disbursement statements.
10. A current balance sheet.
11. A copy of the Community Survey and Project Feasibility Study (if available).
12. Disclosure of all pending and threatened environmental claims, including but not limited to claims for remediation, removal or other response to hazardous substances or contamination, and claims, fines, or penalties relating to violations of any environmental law or regulation.
13. Underwriting Guidelines
14. The total annual debt service for all outstanding debt cannot exceed 35% of applicant

church’s current year operating income (excluding subsidy/grant income) before the project debt. Church income statements for three years will be reviewed, as well as membership trends, to determine the amount of income that can be expected for debt service.

 2. The congregation is generally expected to provide not less than 25% of the project

 cost from its own funds and pledges. If the church already owns land and

 improvements that it is willing to pledge as additional security for the loan, the

 Loan Committee may deviate from this 25% cash equity requirement.

3. In some instances, personal guarantees from members of the congregation may be

 required.

1. Loan Terms

1. General

 a. The maximum loan amount is $1,500,000.

 b. A mortgage loan in excess of the maximum amount may be approved provided:

1. (1) Members of the borrowing congregation invest in Loan Fund notes an
2. amount equal to the amount by which the loan exceeds the maximum
3. permissible loan (excess loan amount). Such notes will have a minimum
4. term of three years.
5. (2) The loan note provides for reduction in the principal balance of the loan
6. whenever the congregational investment is less than the excess loan
7. amount.
8. (3) The loan-to-value ratio does not exceed 60% and the maximum debt
9. service ratio does not exceed 25% for the loan.
10. c. A commitment fee of one percent (1%) of the loan amount will be charged and will be payable within fifteen days of the date of the commitment. If the loan closes within the commitment period, the commitment fee will be applied to the initial payment(s).
11. d. Loans are secured by a first mortgage on real estate when possible.
12. e. Loan repayment will be in monthly installments to cover interest and principal
13. over the term of the loan.
14. f. All buildings must be insured to replacement cost but not less than the amount of
15. the mortgage with the Christian Reformed Church Loan Fund, Inc., U.S. endorsed
16. as an insured party.
17. g. The Church must maintain liability insurance policies in amounts, and issued by
18. insurers acceptable to the Loan Fund which name the Loan Fund as an additional
19. insured.
20. h. Delinquency
21. (1) Payments are due on the first day of each month. Payments received later
22. than fifteen days past their due date will be subject to a 2% late charge.
23. (2) Foreclosure proceedings may commence sixty days after notice of
24. delinquency has been served or as determined by the Board.
25. In the event a congregation secedes from the Denomination voluntarily or

 otherwise, the loan shall become delinquent and immediately due and

 payable in full.

1. In the event a loan is reinstated after or during the foreclosure proceedings,

 the borrower will pay the Loan Fund’s legal and foreclosure expenses.

 i. The church shall indemnify the Loan Fund for all claims, liability, loss, cost,

 damage or expense relating to environmental contamination and hazardous

 substances existing at real estate pledged by the Church to the Loan Fund as

 security for the loan.

1. j. The Church shall, by signing the Promissory Note, waive all usury defenses
2. and the Promissory Note shall provide that the interest rate shall automatically
3. adjust to highest rate permitted by law if necessary to comply with applicable
4. usury laws.
5. Variable Rate Loans
6. The interestrate on a variable rate loan is equal to the Loan Fund’s average cost of funds plus an amount up to but not to exceed two percent. The rate will not increase by more than two percent in any twelve-month period. Rates may be changed at the Loan Fund’s discretion.
7. There is no prepayment penalty on a variable rate loan.
8. The amortization and term of a variable rate loan will be a maximum of twenty years.
9. Commitments for variable rate loans will expire six months after the date of the commitment letter unless extended in writing by the Board of Directors.
10. Fixed Rate Loans
11. Fixed rate loans have a maximum amortization of twenty years with a balloon payment due at the end of five years.
12. Fixed rate loans may be renewed at the end of each five-year term (total term of the loan not to exceed the original amortization of the loan) provided:
13. The original borrower continues to occupy the property.
14. The borrower has a satisfactory payment record.
15. The borrower can qualify for the renewed loan amount.
16. There are no liens on the property which have priority over the Loan Fund mortgage.
17. An annual prepayment of 20% of the original loan amount is permitted without penalty. The borrower will pay a penalty of 2% of the amount of any annual prepayment in excess of 20% of the original loan amount.
18. Commitments for fixed rate loans will expire two months after the date of the

 commitment letter unless extended in writing by the Board of Directors.

F. Loan Approval

1. Granting of loans is contingent upon approval by the Loan Committee of the Loan

 Fund and in certain cases by the Board of Directors of the Loan Fund.

1. When the loan request has been approved, a letter outlining the terms of the

 commitment will be sent to the church.

1. Closing Requirements
2. A resolution, passed by the church council, authorizing the borrowing of the funds

and the mortgaging of the property to secure the loan. The Loan Fund attorney will provide an approved form for this resolution.

1. An ALTA mortgage title insurance policy, without exceptions, in the amount of the mortgage naming the Christian Reformed Church Loan Fund, Inc., U.S. as insured.
2. A 3.1 zoning endorsement to the title insurance policy or (at the church’s option) a certificate from the municipal authority, the church’s architect, and/or the written opinion of the church’s legal counsel addressed to the Loan Fund, but delivered to the Loan Fund attorney, which states that no building and improvements violate any building codes, zoning ordinances, or building and use restrictions relative to the following matters:
3. area, width, or depth of the land as a building site for the structure;
4. floor space area of the structure;
5. setback of the structure from the property lines;
6. height of the structure;
7. any recorded building and use restrictions of any sort.

4. An as built survey must be certified to both the Loan Fund and Title Insurance

 Company and sent to the Loan Fund attorney. The purpose of the survey is to

 evidence that all buildings and improvements are in compliance with setback and

 other requirements.

1. A note in the amount of the loan to be signed by authorized church officers.
2. A mortgage or deed of trust to the Loan Fund signed by authorized church officers.

7. An insurance policy, binder, or certificate showing:

1. that the property is at all times covered by fire, peril, and casualty insurance;
2. that the Loan Fund is named as mortgagee and an additional insured on the policy;
3. the expiration date of the policy.
4. The borrower pays all costs of closing.
5. With respect to loans for the purpose of acquiring unimproved or improved real estate only, the church shall provide the Loan Fund with a current (i.e., not preceding the loan closing date by more than one (1) year) Environmental Site Assessment (“ESA”) prepared in accordance with ASTM Standards by an acceptable environmental consultant with at least $1 Million of errors and omissions liability insurance. Depending on the nature and characteristics of the real estate to be acquired, the Loan Fund may require that the scope of the ESA be expanded to include an assessment of asbestos containing materials, wetland areas, and other concerns not typically covered by ASTM Standards. If the ESA discloses environmental conditions on the real estate that would cost in excess of $10,000 to correct, the Church must provide evidence, satisfactory in form and substance to the Loan Fund, that (a) the Church will not become liable for such costs upon acquiring the real estate; and (b) the environmental conditions will not present an unacceptable health risk to any person in connection with the proposed use of the real estate. If the ESA discloses environmental conditions on the real estate that would cost $10,000 or less to correct, the final draw of the loan proceeds will not be advanced until the Church provides

 evidence satisfactory to the Loan Fund that such environmental conditions have been

 corrected.

**Section II – Purchase Loans**

1. An appraisal by a certified appraiser is required.

B. The maximum loan-to-value will be 75% of the purchase price or appraised value, whichever is lower.

**Section III – Site Acquisition Loans**

1. The site being purchased cannot normally exceed five acres.
2. The site being purchased must be needed for either parking or construction of church buildings. Loans for land speculation will not be granted.
3. An appraisal by a certified appraiser is required.
4. The maximum loan-to-value will be 75% of the purchase price or appraised value, whichever is lower.
5. Maximum term is ten years.

**Section IV – Construction/Improvement Loans**

1. A church representative and/or the church’s attorney should carefully review the contractor’s and architect’s contracts to ascertain the duties of job supervision of each and to make certain each performs his required duties.
2. For projects of over $5,000 a material/performance bond is ordinarily required.
3. A builder’s risk insurance policy is required during the course of construction.
4. Funds are ordinarily disbursed in the following order:
5. Congregational funds
6. Commercial loan funds, if applicable.
7. CRC Loan Fund, Inc. The final draw from the Loan Fund would represent the completion of the project.

E. A copy of the Certificate of Occupancy is required prior to the disbursement of the final draw.

F. Construction loan progress payments to the church must be approved by a registered

architect and the contractor using the AIA forms (Application and Certificate for Payment) without exceptions (see sample AIA form attached) according to the following requirements:

1. AIA G702. Construction loan advance payment checks will be made payable to the

church based on forms signed by the architect and the contractor and approved by an appointed church representative. The church representative should compare dollar amounts and percentages with the contractor’s contract and in some cases with the architect.

1. AIA G703(The Continuation Sheet). AIA Document G703 must accompany the AIA

G702 form. Subcontractor’s business names must be stated. For example, do not indicate “plumber”, but rather the company name.

1. The AIA forms should be typed.
2. The completed AIA forms must be sent to the Loan Fund Office ten days before the date the funds are needed. The Loan Fund office needs ten days to process the request.
3. It is the responsibility of the contractor to supply a sworn statement and waivers of lien for each draw request. This requirement assures that the construction draws can be made without encumbrance.
4. Monthly Payments
5. During the construction period, interest-only payments on the funds which have been disbursed will be made on a monthly basis.
6. Regular monthly payments of principal and interest begin the month after the final

 draw has been disbursed or twelve months after the loan has closed, whichever occurs

 first.