Diocesan Loan Policies

A. Policy for Diocesan Guarantees of Congregation Loans

(Adopted by the Diocesan Council in 2001, amended in 2008 and 2012)

Among the resources of the Diocese of Washington are the buildings and grounds of the congregations of the Diocese. One of the important ministries of every congregation is adequate maintenance of existing structures and capital equipment. A number of church buildings and the surrounding land, including cemeteries, are historic sites in the Washington area. In every neighborhood the church building is an important community resource. Above all else, these buildings are the places where God is worshiped and prayers on behalf of God's creation are offered. Thus, every effort must be made by the congregations that call these buildings their "church home" to ensure that these buildings are maintained so that ministry now and in the future can be sustained.

Further, all Christians are called to go forth and preach the gospel to all nations. This may mean that congregations may be called upon to expand their mission and thus renovate and expand existing church buildings. Such a call to renew and/or expand a congregation's mission and building or expand structures requires substantial capital resources in order to finance such an undertaking. Good stewardship and effective fundraising are a critical and primary component to such a mission. There is no outside source, including the Diocese, which can substitute for a congregation's own financial support for its ministry.

When preparing to undertake any building improvement or expansion congregations are to exercise all possible efforts to secure financing without a diocesan guarantee. Lenders will almost inevitably request such a guarantee, if it is generally available, even when the lender would be willing to proceed without it. Congregations receiving permission from the Committee on Church Architecture to build and/or renovate existing property and from Finance Committee and the Standing Committee to encumber property should make every effort first to secure financing without a diocesan guarantee.

Under extraordinary circumstances the Diocese will consider guaranteeing a congregation's loan. Examples of such circumstances may include: major repairs without which a church could not function; the building of new worship or program space during a time of increased growth within the parish, yet at a time in which without the new space the growth will subside and/or cease altogether; a congregation with a substantial membership of low income people who can sustain the operation of a parish, but lack sufficient personal, financial resources to support building renovations, repairs and expansion. The guarantee program of the Diocese requires the following of participating congregations:

1. The congregation would follow the existing process of submitting building master plans and/or proposed designs to the Committee on Church Architecture for review, and submitting these same plans to the Finance Committee, along with the following information:
    a. Parochial reports and audits from the previous three years;
    b. A statement of income and expense of the current fiscal year;

c. A current balance sheet;

d. A description of all fundraising activities for the building and a statement of funds received to date and funds anticipated, specifying the timeframe in which these funds would be received;

e. A case statement for the project;

f. A statement about current membership and projected growth;

g. A statement about current pledges and anticipated growth

2. The congregation will provide a deposit to the Diocese for the equivalent of six monthly mortgage payments on the date the loan documents are signed. This cash will be placed in an interest bearing account under the control of the Diocese. All interest earned will be the property of the Diocese.

3. The congregation will negotiate with the lender a covenant that after five years of timely mortgage payments, the bank will release the Diocese from the guarantee, pending approval of the Finance Committee. This effectively limits the number of years that a guarantee will be in place. The congregation will also arrange with the lender to have mortgage payments deducted from their checking account to ensure timely payments.

4. At the end of five years when the Diocese is released from the guarantee, the parish will receive their deposit back, less any payments made on their behalf to the bank, and net of any loan. The parish will not receive any of the interest earned on this deposit.

5. During the time the guarantee is in place, the parish will submit quarterly financial reports to the diocesan Treasurer in a format acceptable to the Finance Committee. The diocesan Treasurer will maintain a schedule that includes the amount of loan outstanding, the amount of monthly payment, the amount of deposit, the amount of any loan made from the Closed Parishes Fund and the date of the most recent report. This report will be added to the reserve schedule for monthly distribution to the Diocesan Council.

6. To qualify for the guarantee, a congregation must have submitted the most recent parochial report and audit on time. If a congregation has not complied, the congregation must do so within 30 days and then resubmit their request to the Finance Committee. The congregation must agree to submit all required diocesan reports in a timely manner during the time of the guarantee.

7. At the time of request for a guarantee the congregation must be current with their payment of the pledge to the Diocese. Further, the congregation must agree to meet the expectation of moving to the tithe at the rate of 1% a year, if the congregation is not already tithing.

8. If a congregation is unable to make a loan payment, they must notify the bishop in writing and request that the Diocese make a payment on their behalf from the deposit. The Bishop will authorize the payment and notify the Finance Committee chair and the Treasurer of the payment. The Bishop in consultation the Finance Committee Chair and the Treasurer and other appropriate staff will determine

the next steps needed to assist the congregation. Notification to the Diocesan Council will be done through the monthly report unless the Bishop determines that additional actions are needed. If the Diocese depletes the deposit, Council will receive a written report from the Finance Committee describing what actions will be needed to assist the congregation in resolving their financial situation.

All requests for loans to congregations must receive approval of Standing Committee. All requests for a Diocesan guarantee must be approved by Diocesan Council. At no time will the Diocese provide total cumulative guarantees in a nominal amount of more than 50% of unrestricted net assets of the Diocese, nor shall a guarantee provided to any one congregation amount to more than 10%, of the unrestricted net assets of the Diocese as shown on the audit report of the most recent fiscal year. Should total cumulative guarantees exceed the set limit for cumulative guarantees, no additional loans or loan amounts may be guaranteed by the Diocese until total cumulative guarantees are brought below that set limit. Should the guarantee to any one congregation exceed the set limit to a single congregation, no further loans or loan amounts may be guaranteed to that one congregation until that congregation's guarantee amount is brought below that set limit. This will safeguard the Diocese's financial assets and ensure the adequate monitoring of the participating congregations.

B. Policy for Short–Term Loans to Parishes

(Adopted by the Finance Committee in 1980 and amended in 1985, 1993, and 2008)

1. Priority will be given to parishes with the greatest financial need, and parishes must demonstrate, in their application for a short–term loan, why other resources are not available or adequate. Parishes with other resources must provide justification for using diocesan rather than parish funds.
2. Amount: $35,000 or less; larger loans will be handled on a case–by–case basis.
3. Interest rate: Interest rates are to be set at closing at the then prevailing interest rate of five (5) year U.S. Treasury instruments plus .0175 (1.75%), but not less than .06 (6%). Interest rates shall be fixed for the 5–year term.
4. Repayment period: The standard repayment period is five years; however, the committee is prepared to grant exceptions where warranted.
5. The committee will consider each loan request on its particular merit.
6. While the Diocese will consider a wide range of possible uses for short–term loan proceeds, loan requests will generally be denied for such purposes as restoring operating funds and in instances where the use of other funds is more appropriate.
7. The granting of a loan does not relieve the parish of the responsibility to pay its Diocesan commitment.
8. Each loan request must include:
    a. A complete description of the project/endeavor for which the loan is intended, including detailed, substantiated costs;
    b. Parochial reports and audits from the previous three years;
    c. A statement of income and expense of the current fiscal year;

d. A current asset sheet;

e. A description of all fundraising activities for the building and a statement of funds received to date and funds anticipated, specifying the time frame in which these funds would be received;

f. A case statement for the project;

g. A statement about current membership and projected growth;

h. A statement about current pledges and anticipated growth;

i. A proposed monthly repayment plan, supported by budgeted funds; and

j. Justifying data to support the parish's need for a loan.

C. Policy for Large Loans to Parishes

(Adopted by the Diocesan Council in 1980, amended in 1993 and 2008)

Funds available to be loaned and lending criteria:

Each year, the Diocesan Council will establish a limit for large–loan Missionary Development Funds (MDF) for the purpose of funding extraordinary missionary opportunities. Extraordinary missionary opportunities are those that reach beyond the normal functions of mission and outreach for all parishes and seek to develop new ministries, programs or special projects targeted at increasing Church membership and participation.

Maximum amount to be loaned to any parish:

$200,000 , with exceptions approved on a case–by–case basis.

Terms:

1. The loan shall be for a period of five years at a fixed interest rate. Monthly payments shall be made as if the loan was for a period of 20 years, and a balloon payment of the balance will be due at the end of the five–year period. Interest rates are to be set at closing at the then prevailing interest rate of five (5) year U.S. Treasury instruments plus .0175 (1.75%), but not less than .06 (6%). Interest rates shall be fixed for the 5–year term.
2. In the absence of extraordinary and compelling circumstances, the loan will be renewed for successive 5–year periods, but will not be renewed after the twentieth year. Upon each renewal, the Diocese may adjust the interest rate and other terms.
3. The loan shall be secured by a deed of trust with the highest possible priority covering the parish's real estate and approved by the Standing Committee. In addition, the parish shall comply with such of the conditions respecting aided parishes as the Council shall determine upon the recommendation of the Finance Committee (see accountability standards below).
4. The Diocese shall arrange for the preparation of the loan documents, at the expense of the parish.
5. All loans shall require the approval of the Council.

Process:

1. Loan requests should be submitted to the Bishop who, after review with the staff, would route them to:
    a. The Committee on Church Architecture, if appropriate, for review of the building plans;
    b. The Moderator of Council and the Canon to the Ordinary, who would determine whether or not the proposed project represents an extraordinary missionary opportunity;
    c. The Finance Committee, for review of the parish's financial condition and ability to carry the loan.
2. Each loan request must include:
    a. A complete description of the project/endeavor for which the loan is intended, including detailed, substantiated costs;
    b. Parochial reports and audits from the previous three years;
    c. A statement of income and expense of the current fiscal year;
    d. A current asset sheet;
    e. A description of all fund-raising activities for the building and a statement of funds received to date and funds anticipated, specifying the time frame in which these funds would be received;
    f. A case statement for the project;
    g. A statement about current membership and projected growth;
    h. A statement about current pledges and anticipated growth;
    i. A proposed monthly repayment plan, supported by budgeted funds; and
    j. Justifying data to support the parish's need for a loan.
3. Reports from the above committees would be submitted to the Moderator of the Diocesan Council. The Moderator could request that further work or review be undertaken by any of the committees, or could recommend the loan to the Diocesan Council.
4. The Diocesan Council would act on the loan request.

Financial Accountability Standards for Parishes Receiving Loans:

1. The proposed annual budget of the church will be submitted for review two months before the start of the church's fiscal year. Following the completion of the every member canvass, any changes in the budget shall be submitted to the Finance Committee for review.
2. Quarterly financial statements using the form contained in Appendix B of "Audit Procedures in the Diocese of Washington" will be submitted in duplicate to the Chair of the Finance Committee through the Business Affairs Office.
3. Record keeping shall be done in a manner at least as rigorous as that specified by the Manual for Treasurers of Missions and Aided Parishes."

4. An every member canvass with personal contacts shall he held each year.
5. There shall be an annual audit of the church's accounts according to the standards stated in the "Audit Procedures in the Diocese of Washington."
6. In view of the substantial amount of the loan, a liaison member of the Finance Committee shall be appointed to discuss and review with the treasurer of the parish any deviations from budget figures, or any plans for special fund drives, or any other activities of the parish that would reflect on its financial strength.