

EVANGELICAL MISSIONARY CHURCH - CANADA EAST DISTRICT

District Loan Fund (excerpt from policy)

PURPOSE

The District Loan Fund exists to provide financial assistance to EMCCED local churches and District Ministries for the purpose of land and building acquisition and facility projects including additions, renovations and repairs. Such assistance is provided by loans funded from deposits placed in the Loan Fund by the EMCCED constituency.

The EMCCED Loan Fund is able to make loans to local churches in support of these major projects, to minimize the necessity to finance with third party lending institutions and to provide both the depositor and the borrower preferred interest rates.

LOANS FROM THE LOAN FUND

Loan Criteria

Loans are given to entities that meet the following criteria:

- a) the recipient is a ministry, institution or congregation of the EMC - Canada East District,
- b) the request is a land or building project as defined above,
- c) the project advances the purpose and upholds the core values of the district,
- d) the title is or will be in keeping with district policy,
- e) the request is accompanied by a Capital Project Application Form,
- f) the request is accompanied by a letter stating that the project has been approved by the designated governing body(ies) of the church or the governing board of the institution or ministry.

Loan Application

All Loan Applications must be in writing and contain the following information:

- Clearly **state the purpose** for the request, the **amount** desired, and **when** the money is expected to be required.
- Provide a **letter** stating that the project has been approved by the designated governing body(ies) of the church or by the governing board of the institution.
- Outline the proposed **timeframe for loan repayment** as well as any other financial commitments or obligations existing or being assumed at this time.
- Complete the **Capital Project Application** in appendix A.
- Provide copies of the **current budget** and the most recent **Financial Report**.

All applications are to be submitted through the District Administrative Officer for review and submission to the District Board. Applications will be approved or declined by the Board. The Board may refer the application back to the applicant for further clarification or modification before approval.

On approval of a loan by the Board of Directors, the DAO will notify the church, negotiate repayment terms, and document the loan arrangement on a Loan Certificate that shall be sent to the church, and a copy kept on file at the District Office.

If the repayment terms, documented on the Loan Certificate, are adhered to, then the balance of the loan will be approved automatically for a further year without reference to the Board.

Interest Rate

Loan interest rates are based on a specific formula tied to the Bank of Canada rate. The rate of interest to be charged is determined by the formula in effect at the time that the loan is arranged or renewed. In this way the loan rate will remain constant for each one year period but will move up or down with the interest rates in the market place when the loan is renewed. The formula that is used for loans from the Fund is a twelve week average of the Bank of Canada rate plus 2.0%.

District Loan Fund (excerpt from policy – CONT'D)

Term

Loans are for a one year term and are automatically renewed at the rate in effect on the anniversary date if repayment terms are being followed. Interest payments can be arranged to be monthly, quarterly or yearly.

Loans In Arrears

Loans will be considered in arrears if the total payment of interest has not been made during the year ending December 31.

The Administrative Officer will notify any church in writing that their loan is in arrears and will require submission of the following documents to the District Office:

- Copy of the previous year's income and expense statement;
- Written verification of outstanding balances of any other obligations, be they operational or capital borrowing;
- Letter of explanation of why the borrower was unable to make the required repayments;
- Copy of the budget for the current or upcoming year (as applicable).

The Administrative Officer will advise the District Board to take action to *capitalize* the unpaid interest thereby increasing the amount of the loan outstanding, and will advise the Regional Minister of the situation.

EMCCED DISTRICT LOAN FUND CAPITAL PROJECT APPLICATION

Part 1 - Background Financial Information

Provide the following financial information on the last two completed fiscal years and the current year.

Table with 4 columns: Description, 20__ Actual, 20__ Actual, 20__ Budget. Rows include REVENUE (General offerings, Building Fund offerings, Rent, Other, Total Revenue) and EXPENDITURES (Salary and Benefits, Rent, Debt interest, Principal repayment, Utilities / maintenance, Ministry programs, Outreach, Capital items, Shared Ministries Support, Total Expenditures). Includes Surplus (deficiency) of Total Revenue less Expenditures.

(The video by Ben Harder & Associates entitled Secrets of Stewardship is highly recommended as background material. The video is available on a loan or purchase basis through the District office.)

Projected Additional Ministry Costs

Have you considered what additional ministry costs are anticipated in each of the three years beyond the current fiscal period? Please provide projections for these years including these additional expenses.

Table with 4 columns: Description, 20__ Actual, 20__ Actual, 200__ Budget. Rows include Staff costs, Facilities, Maintenance, Programs, Debt commitments, Other (specify), Total Additional Ministry Costs.

EMCCED DISTRICT LOAN FUND **CAPITAL PROJECT APPLICATION** (cont'd)

Part 2 - Current Project Information

1. Provide the following information on the current proposal:

Basic Cost	_____	
Cost of improvements/upgrades	_____	
Legal and other fees	_____	
Estimated total cost	_____	
Less: Building funds on hand to be applied to the project	_____	
Other	_____	
Amount to be financed	_____	(A)

2. What is the ratio between *average yearly offerings* (general and building) for the past three years and the proposed debt load (A) above?

20___ offerings	_____	
20___ offerings	_____	
20___ offerings	_____	
3-Year total	_____	(B)
Amount (B) divided by 3 =	_____	(C)

Amount **(A)** divided by amount **(C)** represents a debt level of _____ times average annual givings.

It is commonly held that a debt level more than 3 times the annual offerings is unacceptable and that a debt level of more than 2 times annual offerings will prove difficult for a growing ministry.

(Name of Church)

(Date)

Please indicate DATES when consent for loan request was given by the designated governing body(ies), e.g. board / congregation etc.:.....