



THE UMF LOAN PROGRAM

Building the Future

Loan Guidelines and Procedures (Loan Policy)

Purpose

The United Methodist Foundation of Western North Carolina, Inc. (UMF) supports the mission of the United Methodist Church by providing loans to United Methodist Churches, Districts, Institutions or other church extension agencies (herein called “Applicants”). Loans are conveyed for purchase, construction, expansion, major improvements, or for refinancing existing mortgages. The Loan Committee of the UMF establishes maximum loan amounts, interest rates, and terms periodically. They are subject to change and Applicants are encouraged to check with staff and/or UMF website (www.umfoundationwnc.org) for current loan limits and rates.

Projects for Which Loan Funds are Available

- A. New congregation’s first building/facility
- B. Expansion of facilities on an existing site
- C. Major improvement and/or replacement of existing facilities
- D. Site purchases
- E. Refinancing of existing loan with banks or other lenders

Projects for Which Loans Funds are NOT Available

Projects for which loan funds are not available include ornamental or nonessential projects such as:

- A. Organs
- B. Bell towers
- C. Stained glass windows
- D. Facades
- E. Landscaping
- F. Interior decorating

Funding for these projects CAN be included in the requested loan amount so long as the minimum equity percentage (20%) is maintained.

Loan Conditions

- A. The normal amortization period for any loan shall be 15 years. However, a 20-year amortization period may be approved on a case-by-case basis, and the UMF is authorized to establish amortization schedules, which may contain balloon provisions.
- B. The interest rate on loans shall be adjusted quarterly to 2% above the current rate paid by the UMF on its Participation Accounts.
- C. Because the UMF has finite funding resources and wishes to provide those resources to as many United Methodist Churches as reasonably possible, loans are made with the understanding that the borrower will draw these funds promptly as described below: It is not acceptable to the UMF for a borrower to only partially use a loan, or to attempt to use the loan as a line of credit. Accordingly, the UMF will charge a commitment fee equal to one percent (1%) of the amount of the loan (“Commitment Fee”). This Commitment Fee, upon the execution of the Commitment Letter, is fully earned and is due and owing to the UMF. The Commitment Fee will be due upon ten (10) days written notice from the UMF to borrower and may be drawn by the UMF at its option against any of the loan account not yet disbursed to the borrower. Notwithstanding the foregoing, if the loan is fully and completely disbursed to the borrower within ninety (90) days of the date of the Commitment Letter, or, if a construction loan, is fully and completely disbursed to the borrower on or before the end of the construction period described in the loan documents (collectively, the “Time Requirements”), the UMF may waive and not require the payment of the Commitment Fee. Additionally, if borrower fails to comply with the foregoing Time Requirements, any remaining balance not drawn by the borrower shall then be advanced to the borrower and the borrower shall begin thirty-days (30) thereafter making its payments of principal and interest.
- D. Loans are considered on a first come, first serve basis, as evidenced by a date stamped on the application by the UMF staff.
- E. Loans SHALL NOT BE MADE that will have the effect of establishing a line of credit for any Western North Carolina Conference United Methodist church, agency or institution. When a future advance is made on a loan or when the current balance is being re-amortized, the amortization period cannot extend beyond the existing amortization period.
- F. Loans will not be approved for structures that are inherently portable or relocatable in nature. Any structure that in a construction appraisal would not be considered as a permanent asset and add value to the property shall not be funded through the UMF. This would include, but is not limited to, portable or relocatable structures, fabric or membrane structures, tents, air-supported structures, tensioned structures or other similar structures.

- G. The borrower shall provide at least 20% of the cost of the project.
- H. If the loan is to be used for the purchase of property, the borrower shall provide a down payment equal to 20% of the purchase price.

Loan Application Requirements

- A. The Loan Application form and supporting materials shall be completed and submitted to the UMF before formal consideration of a loan request will be made. This includes:
 - a. Project description and purpose
 - b. The consent of required authorities
 - c. A financial statement
 - d. When required, the results of a capital funds drive, showing the receipt of pledges in an amount equal to 100% of the mortgage payments for the first two years
 - e. A statement documenting that the total debt service of the institution will not exceed 35% of the total annual income of the institution (including building fund receipts)
- B. If the cost of the project exceeds \$50,000, an authorized representative of the UMF who has visited the project and met with appropriate project officials to discuss the feasibility of the project and the ability of the institution to repay the full loan amount shall submit a report to the UMF's Loan Committee.
- C. The borrowing institution shall submit updated financial information if the formal loan application was completed more than 90 days prior to the date of its consideration.

Closing Conditions

- A. All loans shall be secured by a first mortgage on the appropriate property.
- B. Documents to be submitted are:
 - a. A Promissory Note
 - b. A recorded Mortgage that includes language prohibiting the assumption of additional debt by the borrower without the written consent of the UMF directors
 - c. An acceptable Mortgagee's Title Policy, showing the UMF as the holder of the first lien on the encumbered property
 - d. Evidence of inclusion in the policy of insurance covering the church property,
 - e. A recorded Notice of Commencement recorded after the Promissory Note and the Mortgage
 - f. If the loan is being used to purchase land, the results of an environmental impact study conducted by a firm acceptable to the UMF
 - g. Other such documents as shall be deemed necessary by the counsel for the UMF.

- C. Documentation that a minimum of 10% of the cost of the project is on hand or has been expended on the project. In a land purchase situation, the 10% shall represent a portion of the down payment.
- D. Closing costs are the mortgagor's responsibility.

Loan Disbursement Conditions

- A. If the loan proceeds are to be disbursed as a construction loan, the institution, with the approval of the UMF, shall enter into a Construction Loan Agreement that shall meet the following contractual arrangement:

Stipulated Sum Basis with 100% Performance Bond and 100% Labor and Material Payment Bond. The institution shall have an agreement with a General Contractor to construct the facility and to provide a bond in the amount of the contract with the General Contractor. The form of Agreement between the Institution and the Contractor shall be one that is of an acceptable nature to the institution and the UMF. Bonds shall be provided by sureties licensed in the State of North Carolina having a minimum rating B + VI, as rated by Best's Key Rating Guide, current edition. Said bonds shall contain a Dual Obligee Rider naming the UMF as an obligee, and said bonds and rider shall be in such form, as the UMF shall require.

The UMF shall disburse the loan proceeds after effectuation of the following:

1. The institution has submitted documentation that all funds on hand for the project have been applied by the institution, except for those funds representing a 5%-10% contingency reserve,
 2. Upon receipt of a copy of the 100% Performance Bond and the 100% Labor and Material Payment Bond,
 3. Upon the appropriate request for funds by the proper institutional official, the architect and the contractor,
 4. Upon receipt of evidence that a copy of the Payment and Performance Bonds were recorded with the Notice of Commencement, and
 5. Upon receipt of waivers of liens for all previous payments.
- B. If the loan proceeds are to be disbursed in a lump sum as payment, such as for the purchase of a building and property, the proceeds will be disbursed in a manner agreed upon by the institution and the UMF.

Loan Repayment Conditions

- A. At the discretion of the UMF, during the first 12 months of a loan other than a Construction loan, interest only shall be due monthly, on the first of each month. During this 12-month period, the borrower is also encouraged to make principal payments, in addition to the interest payments. At the end of this 12-month period, the monthly loan payment amount (consisting of interest and principal) shall be established. This regular monthly payment shall be based on the principal balance at the end of this 12-month period, the interest rate that will be in effect on the 1st day of the month after the end of this 12-month period and the remaining amortization period. The first regular principal and interest payment will be due on the first day of the first month after the end of this 12-month period.
- B. On Construction loans, interest only shall be due monthly, on the first of each month, on funds received to date. During the 12 months beginning on the first day of the month after the month in which the final draw on the loan proceeds occurs, interest only shall be due monthly, on the first of each month. During this 12-month period, the borrower is also encouraged to make principal payments, in addition to the interest payments. At the end of this 12-month period the monthly loan payment amount (consisting of interest and principal) shall be established. This regular monthly payment shall be based on the principal balance at the end of this 12-month period, the interest rate that will be in effect on the 1st day of the month after the end of this 12-month period and the remaining amortization period. The first regular principal and interest payment will be due on the first day of the first month after the end of this 12-month period.
- C. No prepayment penalties shall be applied; however, additional payments on principal shall be made only at the time of the regular monthly payment.
- D. A late fee of 5% of the monthly payment will be charged on loan payments received after the 10th of the month.
 - a. Upon a loan becoming 30 days in arrears following the grace period, the loan shall be considered in default. The President of the UMF shall contact the appropriate institutional official directly to discuss ways to make the loan current.
 - b. If 30 days following the date of default, the loan has not been made current, the President of the UMF shall contact the appropriate institutional official and other appropriate institution, district or conference officers to discuss ways to make the loan current.
 - c. If 60 days following the date of default the loan has not been made current, the President of the UMF shall meet with the appropriate institutional official and other appropriate institution, district or conference officers to determine what steps, if any, can be taken to avoid foreclosure.
 - d. Foreclosure shall occur only upon the recommendation of the President of the UMF and the concurrence of the directors of the UMF.

Insurance Settlements

If an insurance settlement on mortgaged property is for \$25,000 or less, the UMF shall release the proceeds of the settlement to the institution; if in excess of \$25,000, the following shall apply:

- A. The proceeds of the settlement shall be placed in a participation account in the UMF,
- B. The institution shall submit to the UMF a proposal detailing the plan and cost of repair, and
- C. Once the proposal has been approved by the UMF, the proceeds of the insurance settlement shall be disbursed as follows:
 - a. If the facility was totally destroyed, the UMF would retain that portion of the insurance settlement proceeds which represents the full value of the outstanding principal balance of the mortgage loan and release to the institution the remaining portion of the proceeds,
 - b. If the property is abandoned, the UMF would retain that portion of the insurance settlement proceeds which represents the full value of the outstanding principal balance of the mortgage loan, or
 - c. If the facility is to be repaired, the insurance settlement proceeds shall be disbursed in the same manner as a construction loan.