
**NORTHWEST BAPTIST FOUNDATION
CHURCH LOAN POLICY**

THIS POLICY SHALL BE REVIEWED ANNUALLY BY THE CHURCH LOAN AND FINANCE COMMITTEE AND APPROVED BY THE BOARD OF DIRECTORS OF THE NORTHWEST BAPTIST FOUNDATION.

The NORTHWEST BAPTIST FOUNDATION (NWBF) offers two types of loans:

- I. Site acquisition, interim building construction and permanent loans.
- II. Special Purpose Loans: loans for significant remodeling, renovation or repair of worship and/or educational buildings.

**NORTHWEST BAPTIST FOUNDATION
CHURCH LOAN POLICY**

SECTION I.
SITE ACQUISITION, INTERIM BUILDING CONSTRUCTION AND PERMANENT
LOANS

1. LOAN FUNDS

The following loan funds are covered by this section of this policy:

1. Hyde Loan Fund
2. Church Loan Fund
3. Frontiers for Baptist Men Loan Fund
4. Norris Loan Fund
5. Moseley Church Loan Fund
6. Other Charitable funds qualified to invest in the church loan pool under the Philanthropy Protection Act of 1995 (PPA95, see Investment Policy)

2. PURPOSE

The purpose of site acquisition, interim building construction and permanent loans is viewed as being:

1. SITE ACQUISITION
2. INTERIM BUILDING CONSTRUCTION FINANCING
3. LONG-TERM BUILDING FINANCING – IN LIMITED CIRCUMSTANCES

3. STANDARDS

The standards for site acquisition, interim building construction and permanent loans are as follows:

1. TERM
 - A. Site acquisition loans shall not exceed five years (60 months) in term.
 - B. Interim construction loans shall have a maturity of not more than 18 months in term.
 - C. Permanent loans are due in 15 years, but may be amortized over 20 years.
 - D. If a Church to whom a loan is granted is, at the time the loan is granted, a church cooperating with the Northwest Baptist Convention (NWBC) and

**NORTHWEST BAPTIST FOUNDATION
CHURCH LOAN POLICY**

which at a later date ceases to be a church cooperating with the NWBC at any time while the loan remains outstanding, the Foundation, at its option, may 1) accelerate the loan and declare the entire principal balance and interest due and immediately payable or 2) change the terms of the note to the current terms in effect for non-NWBC churches. If a Church to whom a loan is granted is, at the time the loan is granted, NOT a church cooperating with the NWBC and at any time while the loan remains outstanding, the nature, organization or practices of that church change such that, in the sole discretion of the Foundation, it is no longer consistent with the purpose, objective and interests of the NWBF or is not otherwise consistent with the Articles of Incorporation, Bylaws and Policies of the NWBF, NWBF, at its option, may accelerate the loan and declare the entire principal balance and interest due and immediately payable.

2. COLLATERAL

- A. Loans must be secured by a first lien position on the real estate involved in the loan, or such other collateral/property as the Board of Directors of NWBF (BOARD) determines to be acceptable.

A second lien position will be considered if the outstanding indebtedness is less than 50% of the "fair market value" of the real estate involved in the loan. Any second lien position must be approved by a majority of the BOARD.

- B. Loan amount shall not exceed 75% of the value of the collateral, including the value of the construction project. An appraisal may be required, at the NWBF's discretion, if the loan amount exceeds 50% of the collateral value.

3. REPAYMENT

- A. Construction Loans must have a source of repayment evidenced by a WRITTEN commitment from the NORTH AMERICAN MISSION BOARD or other acceptable credit source. This may include a commitment from Strongtower Financial or other acceptable organization to underwrite and broker a mortgage bond issue. The loan from the NWBF shall not exceed one hundred percent (100%) of the commitment.
- B. The church must be able to demonstrate the ability to meet the loan's minimum payment from their regular offerings and budget surplus. Generally, the loan payments cannot exceed 30% of the church's offering

**NORTHWEST BAPTIST FOUNDATION
CHURCH LOAN POLICY**

receipts. In the case of a mission church, said source shall also include support from the home or sponsoring church.

4. ORIGINATION FEE AND INTEREST RATE

All loans shall have a loan origination fee and shall bear interest, both of which will be reviewed by the Church Loan and Finance Committee and set, by loan type, by the BOARD at their regular meetings. Interest rates and loan fees for loans to churches that are NOT cooperating with the NWBC may be established at rates that are higher than for cooperating churches, such rates to be determined by the BOARD.

The loan commitment/origination fee is intended to compensate NWBF for its work in preparing for the loan and to compensate for the cost of setting aside the monies required for the loan. The entire loan fee shall be paid at one time by the Church in cash/cash equivalent or, if not so paid, out of the first draw of loan proceeds. In the event that the borrower decides not to accept the loan after the Letter of Commitment has been acknowledged and signed by the borrower, fifty percent (50%) of the fee will be paid to the NWBF from the borrower's funds, and the Letter of Commitment will be rescinded.

For construction loans, the loan interest shall be paid monthly on the average daily balance.

5. LETTER OF COMMITMENT

A letter of commitment will be issued following loan approval by the BOARD. Said letter of commitment will be valid for a period of 90 days. It may be extended for an additional 90 day period upon written request by the church and approval by the President of NWBF. Said letter will outline all policies and stipulations for granting the loan.

6. APPLICATION

Loans are to be made in accordance with NWBF's Articles of Incorporation, namely, to churches cooperating with NWBC. However, loans may be extended to the NWBF's partners in the ministry including, but not limited to the following: the Southern Baptist Convention and its related entities; other Baptist State Conventions, their churches and related entities; other evangelicals, their churches and related entities; and other qualified charities (an organization described in each of Section 170(b)(1)(A), Section 170(c), Section 2055(a) and Section 2522(a)) whose stated purpose and objective is not otherwise inconsistent with the

**NORTHWEST BAPTIST FOUNDATION
CHURCH LOAN POLICY**

purpose, objective and interests of the NWBF and is not otherwise inconsistent with the Articles of Incorporation, Bylaws and Policies of the NWBF.

Notwithstanding the allowed extension of loans to other than churches cooperating with NWBC provided for in its Articles of Incorporation, NWBF shall afford a preference in all situations concerning applications for loans as well as availability of loan funds to churches cooperating with NWBC.

Loans made to entities other than NWBC churches shall not exceed fifty percent (50%) of the funds available for a given type of loan.

Unless clearly inconsistent by the context, references hereinafter to a “church” shall be not only to an incorporated church but also to any entity to whom NWBF extends a loan pursuant to its policies.

- B. All loan applications shall be on a standard NWBF loan application and shall be received in the office of the President, NORTHWEST BAPTIST FOUNDATION, 3200 NE 109th Avenue, Vancouver, WA 98682-7749 or any other address that may be so designated from time to time, thirty days prior to the next scheduled meeting of the CHURCH LOAN AND FINANCE COMMITTEE and/or the BOARD. Applications shall be accompanied by a non-refundable \$500 application fee. This fee will be applied against the origination fee.
- C. If it becomes necessary to call a special meeting of the CHURCH LOAN AND FINANCE COMMITTEE and/or the BOARD, to consider a loan application, the church must pay the cost of such meeting. The cost of said meeting, if not otherwise satisfied by the church, shall be deducted from the loan proceeds.
- D. Loan application process includes meeting in person with the Church Loan and Finance Committee or the President of NWBF.
- E. If the loan is approved, the church must be prepared to comply with the following:
 - 1. TITLE INSURANCE

NWBF, at the church’s expense, shall order a mortgagee's title insurance policy issued by an approved title insurance company, insuring the title to its property as a good and merchantable title. Currently, it is NWBF’s preference that this policy be issued by Stewart Title, and accordingly, title policies will be requested from

**NORTHWEST BAPTIST FOUNDATION
CHURCH LOAN POLICY**

Stewart Title unless another company is approved by the President of NWBF. The requirement for a title insurance policy may be waived by the President of NWBF for loans of \$25,000 or less.

2. RECORDING

The church shall pay the cost of recording the deed of trust or mortgage and all other incidental legal expenses involved in completing the transaction. If not otherwise satisfied by the church, said recording fees shall be paid from the proceeds of the loan. It will be the responsibility of NWBF to record the deed of trust or mortgage and other related documents with the county recorder (or at such other office where public records are recorded) in the county in which the church or property is located.

3. INSURANCE

Any building or property which is used as collateral must be kept insured. Said insurance must be a minimum of a **Form 3** fire and extended coverage policy provided to the Northwest Baptist Foundation prior to the closing of the loan. In addition, NWBF must be listed as an additional insured and mortgagee on the church liability policy. Said insurance must be with an insurance company satisfactory to NWBF, for a sum sufficient to protect the loan, with a mortgage clause attached to the policy, making the loss, if any, payable to the NWBF, as its interest may appear. A certificate of coverage must be provided to NWBF prior to closing of the loan, and annually during the duration of the loan. Management may also require flood insurance coverage when, at their discretion, it is warranted.

4. DRAWS

All draws must be requested in writing. The draw request must state for which invoices the monies will be used. Draws will be granted for actual expenditures, not for anticipated expenses. Draws will be granted in direct proportion to the percentage of building completion. NWBF will provide a worksheet to be used by the church to report construction progress and to request draws. NWBF will have 10 working days after the draw request is received in which to make their inspections and issue the draw. All draws will be made to the church or the church and the supplier or subcontractor, as determined by NWBF. Any exceptions to the

**NORTHWEST BAPTIST FOUNDATION
CHURCH LOAN POLICY**

provisions of this paragraph shall require the approval of the Church Loan and Finance Committee.

5. INSPECTIONS

Periodically during construction, an inspection of the project will be made. The inspection will be made by a person approved by the President of NWBF, and may include a NWBF staff person. The cost of the inspection, if any, will be the responsibility of the church. (Usually less than \$100.00 per inspection.) Said inspections will determine the percentage of completeness of the project. Any exception to the provisions of this paragraph shall require the approval of the Church Loan and Finance Committee.

6. ADDITIONAL ITEMS

In addition to the standard form loan application, the following items may be required from the applicant prior to consideration by the Church Loan and Finance Committee.

- a. A set of approved plans and specifications. (By lender and local building dept.)
- b. List of sub-contractors with addresses and phone numbers.
- c. Cost breakdown compiled by contractor or equivalent.
- d. A specification list of materials to include size, grade, thickness, brand name, type of material, etc.
- e. In the case of a mission, any loan granted to a mission must have all documents, including the promissory note and security instrument, if one, signed not only by the mission, but by the sponsoring church also.
- f. A site visit to the church, and if costs are incurred, the charge for the site visit will be paid by the church.
- g. Unless determined otherwise by a site visit, it is recommended that the Pastor and at least one layman from the church meet with the Church Loan and Finance Committee prior to any loan being approved to answer questions the committee might have concerning the loan.

**NORTHWEST BAPTIST FOUNDATION
CHURCH LOAN POLICY**

In the case of a mission, the mission Pastor and at least one layman along with the Pastor and at least one layman from the sponsoring church must meet with the committee. Any costs incurred for transportation, lodging or meals will be the responsibility of the applicant church or mission.

7. APPROVAL

Loans conforming to these policies and not exceeding \$100,000.00 may be approved by the President and Chief Financial Officer of the Foundation who will report such action to the CHURCH LOAN AND FINANCE COMMITTEE and Board. Loans conforming to these policies and not exceeding \$400,000.00 may be approved by the CHURCH LOAN AND FINANCE COMMITTEE who will report such action to the Board. All loans over \$400,000.00 must be approved by the Board of Directors.

Loans with any provision that does not conform to these policies and not exceeding \$100,000.00 may be approved by the CHURCH LOAN AND FINANCE COMMITTEE who will report such action to the Board. All other loans with any provision that does not conform to these policies will be approved by the Board.

Amended August 16, 1997
Amended August 7, 1999
Amended March 4, 2005
Amended August 7, 2009
Amended March 4, 2011

**NORTHWEST BAPTIST FOUNDATION
CHURCH LOAN POLICY**

**SECTION II.
SPECIAL PURPOSE LOANS**

1. LOAN FUNDS

The following loan funds are covered by this section of this policy:

- A. Foundation for the Future Loan Fund
- B. Frontiers for Baptist Men Loan Fund
- C. Church Loan Pool

Only 50% of the total of the funds can be used for special purpose loans.

2. PURPOSE

The purpose of the SPECIAL PURPOSE FUNDS is to provide short term funds to be used as follows.

- 1. Purchase of a meeting facility.
- 2. Repair and/or improvement of buildings.
- 3. Purchase of appropriate major long term equipment and furnishings.
- 4. Purchase of parsonage for church.

3. STANDARDS

The standards for the SPECIAL PURPOSE LOANS are as follows:

- 1. TERM
 - A. SPECIAL PURPOSE LOANS shall not exceed the following terms:
 - 1. Loans of \$25,000 or less may be for a maximum of five (5) years, and
 - 2. Loans of \$25,001.00 to \$100,000.00 may be for up to a maximum of ten (10) years

If a Church to whom a loan is granted is, at the time the loan is granted, a church cooperating with NWBC and which at a later date ceases to be a church cooperating with NWBC at any time while the loan remains outstanding, NWBF,

**NORTHWEST BAPTIST FOUNDATION
CHURCH LOAN POLICY**

at its option, may 1) accelerate the loan and declare the entire principal balance and interest due and immediately payable or 2) change the terms of the note to the current terms in effect for non-NWBC churches. If a Church to whom a loan is granted is, at the time the loan is granted, NOT a church cooperating with NWBC and at any time while the loan remains outstanding, the nature, organization or practices of that church change such that, in the sole discretion of NWBF, it is no longer consistent with the purpose, objective and interests of the NWBF or is not otherwise consistent with the Articles of Incorporation, Bylaws and Policies of NWBF, NWBF, at its option, may accelerate the loan and declare the entire principal balance and interest due and immediately payable.

2. COLLATERAL

A. Loans shall be secured by a lien against the property, and if a first security interest lien position is not available, then a second lien position may be obtained. At the option of the BOARD, other collateral may be acceptable.

3. REPAYMENT

A. The church must be able to demonstrate the ability to meet the loan's minimum payments from their regular offerings and budget surplus. Generally, the loan payments cannot exceed 30% of the church's offering receipts. In the case of a mission church, said source shall also include support from the home or sponsoring church.

4. ORIGINATION FEE AND INTEREST RATE

All loans shall have a loan origination fee and shall bear interest, both of which will be reviewed by the Church Loan and Finance Committee and set, by loan type, by the BOARD at their regular meetings. Interest rates and loan fees for loans to churches that are NOT cooperating with the NWBC may be established at rates that are higher than for cooperating churches, such rates to be determined by the BOARD.

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**NORTHWEST BAPTIST FOUNDATION
CHURCH LOAN POLICY**

5. LOAN AUTHORITY

The President and Chief Financial Officer or the Church Loan and Finance Committee may approve special purpose loans conforming to these policies and will report the granting of said loans to the full board at the next general meeting. A special purpose loan with any provision that does not conform to these policies may be approved by the Church Loan and Finance Committee who will report such action to the Board.

6. APPLICATION

A. Loans are to be made in accordance with NWBF's Articles of Incorporation, namely, to churches cooperating with NWBC. However, loans may be extended to NWBF's partners in the ministry including, but not limited to the following: the Southern Baptist Convention and its related entities; other Baptist State Conventions, their churches and related entities; other evangelicals, their churches and related entities; and other qualified charities (an organization described in each of Section 170(b)(1)(A), Section 170(c), Section 2055(a) and Section 2522(a)) whose stated purpose and objective is not otherwise inconsistent with the purpose, objective and interests of NWBF and is not otherwise inconsistent with the Articles of Incorporation, Bylaws and Policies of NWBF.

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B. All loan applications shall be on a standard NWBF loan application and shall be received in the office of the President, NORTHWEST BAPTIST FOUNDATION, 3200 NE 109th Avenue, Vancouver, WA 98682-7749 or any other address that may be so designated from time to time.

**NORTHWEST BAPTIST FOUNDATION
CHURCH LOAN POLICY**

C. If the loan is approved, the church must be prepared to comply with the following:

1. TITLE INSURANCE

NWBF, at the church's expense, shall order a mortgagee's title insurance policy issued by an approved title insurance company, insuring the title to its property as a good and merchantable title. Currently, it is NWBF's preference that this policy be issued by Stewart Title, and accordingly, title policies will be requested from Stewart Title unless another company is approved by the President of NWBF. The requirement for a title insurance policy may be waived by the President of NWBF for loans of \$25,000 or less.

2. RECORDING

The church shall pay the cost of recording the mortgage and all other incidental legal expenses involved in completing the transaction. If not otherwise satisfied by the church, said recording fees shall be paid from the proceeds of the loan. It will be the responsibility of NWBF to record the mortgage and related documents with the county recorder (or at such other office where public records are recorded) in the county in which the church or property is located.

3. INSURANCE

Any building or property which is used as collateral for a loan must be kept insured. Said insurance must be a minimum of a **Form 3** fire and extended coverage policy provided to the Foundation prior to the closing of the loan. In addition, NWBF must be listed as an additional insured and mortgagee on the church/mission liability policy. Said insurance must be with an insurance company satisfactory to NWBF, for a sum sufficient to protect the loan, with a mortgage clause attached to the policy, making the loss, if any, payable to NWBF, as its interest may appear. A certificate of coverage must be provided to NWBF prior to closing of the loan, and annually during the duration of the loan. Management may also require flood insurance coverage when, at their discretion, it is warranted.

**NORTHWEST BAPTIST FOUNDATION
CHURCH LOAN POLICY**

4. **ADDITIONAL ITEMS**

In addition to the standard form loan application, the following items may be required from the church applicant prior to consideration by the Church Loan and Finance Committee.

- a. In the case of a mission, any loan granted to a mission must have all documents, mortgages and notes signed not only by the mission, but by the sponsoring church also.
- b. A site visit to the church, and if costs are incurred, the charge for the site visit will be paid by the church.
- c. Unless determined otherwise by a site visit, it shall be a requirement that the Pastor and at least one layman from the church meet with the CHURCH LOAN AND FINANCE COMMITTEE prior to any loan being approved to answer any questions the committee might have concerning the loan. In the case of a mission, the mission Pastor and at least one layman along with the Pastor and at least one layman from the sponsoring church must meet with the committee. Any costs incurred for transportation, lodging or meals will be the responsibility of the applicant church or mission.

Amended August 16, 1997
Amended August 15, 1998
Amended August 7, 1999
Amended August 3, 2002
Amended August 7, 2009
Amended March 4, 2011