
**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 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 building.

**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 church loan pool under PPA95

2. PURPOSE

The purpose of the site acquisition, interim building construction and permanent loan 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 the 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 all due in 15 years, but may be amortized over 20 years.

**NORTHWEST BAPTIST FOUNDATION
CHURCH LOAN POLICY**

- D. If the church to whom the loan is granted ceases to be a Southern Baptist Church cooperating with the Northwest Baptist Convention at any time while a balance is owed, the Northwest Baptist Foundation, at its option, may accelerate the balance and declare the entire principal balance and interest due and payable immediately.

2. **COLLATERAL**

- A. Loans must be secured by a first lien position on the real estate involved in the loan.

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 of Directors of the NORTHWEST BAPTIST FOUNDATION.

- 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 Northwest Baptist Foundation'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 to underwrite and broker a mortgage bond issue. The loan from the Northwest Baptist Foundation 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 receipts. In the case of a mission church, said source shall also include support from the home or sponsoring church.

4. **RATE**

All loans shall have a loan fee and shall bear interest, both of which will be reviewed and set, by loan type, by the Board of Directors of the NORTHWEST BAPTIST FOUNDATION at their regular meetings.

**NORTHWEST BAPTIST FOUNDATION
CHURCH LOAN POLICY**

The loan commitment/origination fee is intended to compensate the Northwest Baptist Foundation for its work in preparing for the loan and to compensate for the cost of setting aside the monies required for the loan. The current commitment/origination fee for church loan funds is two percent (2%) of the loan amount on the first one million (1,000,000) dollars and one and one-half percent (1.5%) on all amounts above one million (1,000,000) dollars; said entire loan fee shall be paid at one time 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 Northwest Baptist Foundation 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 from proceeds of the loan or from first income of the church. The fee for conversion from a construction loan to a permanent loan is one percent (1%).

5. LETTER OF COMMITMENT

A letter of commitment will be issued following approval by the Board of Directors of the NORTHWEST BAPTIST FOUNDATION. 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 and Chairman of the Loan Committee. Said letter will outline all policies and stipulations for granting the loan.

6. APPLICATION

A. Loans are to be made only to or for the benefit of incorporated churches, mission churches, associations, and entities of the NORTHWEST BAPTIST CONVENTION. Loans other than to churches shall not exceed 50% of the funds available for this type of loan.

B. All loan applications shall be on a standard NORTHWEST BAPTIST FOUNDATION loan application form 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 of Directors of the NORTHWEST BAPTIST FOUNDATION. Applications shall be accompanied by a non-refundable \$500 application fee. This fee will be applied against the origination fee.

**NORTHWEST BAPTIST FOUNDATION
CHURCH LOAN POLICY**

- C. If it becomes necessary to call a special meeting of the CHURCH LOAN AND FINANCE COMMITTEE and/or the Board of Directors of NORTHWEST BAPTIST FOUNDATION, to consider a loan application, the church must pay the cost of such meeting. The cost of said meeting may 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 the Northwest Baptist Foundation. For loans less than \$400,000.00, this meeting may be with the President of the Northwest Baptist Foundation prior to the regular or special called meeting.
- E. If the loan is approved, the church/mission must be prepared to comply with the following:
1. TITLE INSURANCE

The Northwest Baptist Foundation, 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.
 2. RECORDING

The church shall pay the cost of recording the mortgage and all other incidental legal expenses involved in completing the transaction. Said recording fees shall be paid from the proceeds of the loan. It will be the responsibility of the NORTHWEST BAPTIST FOUNDATION to record the mortgage and related documents with the county recorder 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 Northwest Baptist Foundation prior to the closing of the loan. In addition, the NORTHWEST BAPTIST FOUNDATION 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 the Foundation, for a sum

**NORTHWEST BAPTIST FOUNDATION
CHURCH LOAN POLICY**

sufficient to protect the loan, with a mortgage clause attached to the policy, making the loss, if any, payable to the NORTHWEST BAPTIST FOUNDATION, as its interest may appear. A certificate of coverage must be provided to the Northwest Baptist Foundation 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. The Northwest Baptist Foundation will provide a worksheet to be used by the church to report construction progress and to request draws. The NORTHWEST BAPTIST FOUNDATION will have 10 working days after the draw request is received in which to make their inspections and issue the check. All draw checks will be written to the church or the church and the supplier or subcontractor. Any exceptions to the 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 cost of the inspection will be the responsibility of the borrower church/mission. (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 church/mission 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.)

**NORTHWEST BAPTIST FOUNDATION
CHURCH LOAN POLICY**

- b. List of sub-contractors with addresses and phone numbers.
- c. Cost breakdown done 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, mortgages and notes signed not only by the mission, but by the sponsoring church also.
- f. There shall be 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 by a site visit that it is not necessary, 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 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.

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

**NORTHWEST BAPTIST FOUNDATION
CHURCH LOAN POLICY**

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

**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 up to a maximum of \$25,000.00 or less for a maximum of five (5) years and \$25,001.00 to \$100,000.00 up to a maximum of ten (10) years 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 ten years (120 months) in term.
 - B. If the church to which the loan is granted ceases to be a southern Baptist church cooperating with the Northwest Baptist Convention at any time while a balance is owed, the Northwest Baptist Foundation, at its option, may accelerate the balance and declare the entire principal balance and interest due and payable immediately.

**NORTHWEST BAPTIST FOUNDATION
CHURCH LOAN POLICY**

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.

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. RATE

All loans shall have a loan fee and shall bear interest, both of which will be reviewed and set by the Board of Directors of the NORTHWEST BAPTIST FOUNDATION at their regular meetings.

The loan commitment/origination fee is intended to compensate the Foundation for its work in preparing for the loan and to compensate for the cost of setting aside the monies required for the loan. The current commitment/origination fee for special purpose loans is two percent (2%) of the loan amount, said entire loan fee shall be paid at one time out of the 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 Foundation from the borrower's funds, and the Letter of Commitment will be rescinded.

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

**NORTHWEST BAPTIST FOUNDATION
CHURCH LOAN POLICY**

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- B. All loan applications shall be on a standard NORTHWEST BAPTIST FOUNDATION loan application form 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.
- C. If the loan is approved, the church/mission must be prepared to comply with the following:

1. TITLE INSURANCE

The Northwest Baptist Foundation, 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.

2. RECORDING

The church shall pay the cost of recording the mortgage and all other incidental legal expenses involved in completing the transaction. Said recording fees shall be paid from the proceeds of the loan. It will be the responsibility of the NORTHWEST BAPTIST FOUNDATION to record the mortgage and related documents with the county recorder 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, the NORTHWEST BAPTIST FOUNDATION 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 the Foundation, for a sum sufficient to protect the loan, with a mortgage clause attached to the policy, making the loss, if any, payable to the NORTHWEST BAPTIST

**NORTHWEST BAPTIST FOUNDATION
CHURCH LOAN POLICY**

FOUNDATION, as its interest may appear. A certificate of coverage must be provided to the Northwest Baptist Foundation 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. **ADDITIONAL ITEMS**

In addition to the standard form loan application, the following items will be required from the church/mission 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. There shall be 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 by a site visit that it is not necessary, 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