

PRESBYTERY OF NEW YORK CITY  
LOAN POLICY

Including Loan Guarantees and Emergency Loans

3/13/2001, rev. 6/8/2021

1.0 Governing Philosophy and Structure

1.1 Presbytery loan funds are a trust to be administered in faithfulness to Jesus Christ, in commitment to the mission of the Church, in observance of state law, and in full awareness of the many and competing needs our churches face as they minister in New York City.

1.1.1 The potential needs of our member churches for financing, whether through grants, loans or guarantees, far outstrip the Presbytery's current resources. Presbytery's capacity for providing such financing is effectively limited to what can be made available from the operating budget and the unrestricted endowment.

1.1.2 Borrowing churches are expected to covenant with the larger church to apply loans faithfully to the specific mission uses for which they are made and to repay loans in a timely manner. Failure to do so erodes Presbytery's ability to support the future mission needs of other churches.

1.1.3 The Session of a borrowing church is therefore required to reaffirm, by resolution, the church's outstanding loan and guarantee obligations annually.

1.2 Presbytery has determined to make loans and encumbrance guarantees to member churches from certain Board Designated funds in the endowment. Presbytery views its endowment as a covenant among the generations of the church, balancing its use for present day mission with the responsibility of stewarding resources for those who will come after us. Loans and guarantees are an investment by the larger church, from its endowment, in the mission of particular churches.

1.2.1 Current constraints on Presbytery's operating budget preclude financing loans and guarantees from operations unless revenues are increased or expenses reduced (e.g., by eliminating staff or cutting into other mission programming).

1.2.2 Presbytery loan policy is intended to be consistent with Presbytery's overall policies on managing the endowment.

1.2.2.1 To that end, the Commission on Mission, Budget and Corporate Responsibility / Board of Trustees is charged with establishing, from time to time, a maximum amount of endowment funds available for grants, and with establishing guidelines for loans and guarantees that are consistent with sound portfolio management, including credit criteria, rates and fees applicable to loans and guarantees, and such other lending guidelines as it may deem necessary.

1.2.2.2 The interest rates and guarantee fees paid by borrowing churches shall be adequate to replace the income Presbytery would otherwise expect to gain from these funds in fixed income portfolio investments.

1.2.2.3 Each borrowing church shall also pay the expenses of administering the related loan, including site visits, lawyer's fees, appraisals, and other closing costs.

1.2.3 Presbytery may from time to time make provisions in its operating budget for direct grants to borrowing churches in order to reduce interest rates or pay closing costs.

## 2. Application Process

2.1 In the interests of equity and good stewardship, competing requests for loans and guarantees will be evaluated against one another and in light of overall Presbytery mission priorities and resources.

2.2 Primary responsibility for this review is vested in the Presbytery Loan Processing Group, comprised of the Chair of the Loan Committee of the Board of Trustees, the Chair of the Committee for Congregational Ministry and Nurture (CM&N), the Chair of the Commission on Ministry (COM), the Executive Presbyter, the Treasurer and three additional representatives, one each from the Board of Trustees, CM&N, and COM. The Financial Controller will be non-voting staff to the Loan Processing Group. The parties mentioned may appoint designees.

2.3 The Loan Processing Group will evaluate requests for guarantees twice a year, with application deadlines of April 1 and November 1. An application must be completed by these deadlines in order to be considered, and otherwise will be deferred until the next review date.

2.3.1 The primary contact person with the applicants will be the Financial Controller of the Presbytery. All questions should be directed to that person.

2.3.2 Applications for loans shall be submitted to the Financial Controller in the office of the Presbytery located at 475 Riverside Drive, New York, NY 10115, or in such other manner or at such other address as may be designated by the Financial Controller upon the written approval of a majority of the members of the Loan Processing Group. All applications shall be submitted on the appropriate form with all required documents. (See list that follows in addendum.) This form may be obtained from the Financial Controller by calling (212) 870-2221, ext. 3.

2.4 The Loan Processing Group will consider each application according to the criteria specified in this policy and develop from among them a slate of recommended loans and guarantees that does not exceed the guidelines established by the Commission on Mission, Budget and Corporate Responsibility / Board of Trustees. In developing its recommendations, the Loan Processing Group will verify that all documents have been properly submitted and may, as it deems necessary, make site visits and meet with representatives of the applicant church.

2.5 The recommendations of the Loan Processing Group go directly to the Commission on Mission, Budget and Corporate Responsibility / Board of Trustees for approval. The Presbytery shall receive notice of these approvals.

## 3.0 Loan Criteria

3.1 In acting upon a church's request for a direct loan, or a guarantee of a loan from another source, consideration will be given to the following factors:

- the church's role in serving the community;
- the church's role in fulfilling the mission priorities of the Presbytery, including all reports required by the Presbytery;
- the willingness and ability of the church to meet its financial obligations, especially per capita;
- the quality of financial management, including preparation of satisfactory budgets, timely financial reports, etc.;
- satisfactory explanation of intended use of the loan proceeds;
- satisfactory explanation of source of funds to assure ability to repay any loan;
- availability of alternative sources of financing (including alternatives to direct loans or guarantees, such as leasing);
- financial consequences to the church or the Presbytery should such loan not be made.

3.2 It is a condition of any Presbytery loan to, or guarantee for, any church that such church must furnish to the Loan Processing Group a writing which shows that the church has Free Cash Flow that is sufficient to repay the loan. The term "Free Cash Flow" means the excess of (i) net revenue (including pledge revenue, space use income, fixed contributions, and budgeted endowment draws) over (ii) operating expenses (including pastor and other church staff salaries, pensions, insurance premiums, and other cash operating expenses), based on the church's financial statement for the most recent fiscal year, adjusted for revenue and expense reasonably expected to be realized over the life of the loan, such as income and expense from a new venture financed with loan proceeds, or the sale of church property. Operating expenses shall exclude non-cash expenses, such as depreciation.

#### 4.0 Loan Structure

4.1. The final maturity of loan or guarantee may not exceed 10 years.

4.2 A schedule for repayment of loan proceeds will be established by the Commission on Mission, Budget, and Corporate Responsibility / Board of Trustees at the time the loan is approved. Payouts for renovation or construction projects are usually one third of the total at a time. Final payouts will be made after the proof of completion and required sign-offs are obtained from all professionals and government agencies (e.g., certificate of occupancy).

4.3 Liens will be placed by the Presbytery on any and all property related to the one being purchased or repaired, including the manse or any rental property owned by the church.

4.4 Interest rates and guarantee fees shall be fixed at the time of origination according to schedules established from time to time by the Commission on Mission, Budget and Corporate Responsibility / Board of Trustees. The borrowing church will pay to the Presbytery interest on the unpaid principal amount of such loan, from the date of such loan until such loan is paid in full, at a rate per annum equal to the yield per annum on U.S. Treasury notes having a maturity approximately equal to the term of such loan, computed as of the date of such loan (or, in the case of the Presbytery's commitment to make loans during a specified period, as of the date of the initial loan), plus 3.0% per annum, rounded the nearest  $\frac{1}{4}$  of 1%. Loan interest will be payable monthly in arrears on each monthly principal installment date and at final maturity unless otherwise approved by the Presbytery.

#### 5.0 Conditions of Default

5.1 The failure to meet scheduled loan payments for three consecutive months is a condition of default under the loan agreement.

5.2 In the event a condition of default exists, the Pastor, Clerk of Session and Chair of the Board of Trustees, if applicable, of the church will each be notified by certified mail and by email. If the church needs to negotiate new terms, it is advised to do so before a condition of default is declared. Terms of any loan renegotiation will be reported to the Presbytery for its approval.

5.3 If the condition persists and no satisfactory arrangements are forthcoming, a report will be brought by the Loan Processing Group to the floor of the Presbytery. The Presbytery may:

- immediately declare the entire loan due and payable;
- take steps to assume direct title to all church property (including the manse) and any rental property, and/or
- appoint an administrative commission to review and manage church financial affairs.

## 6.0 Session Approval

6.1 The Session of a borrowing church must signify its approval by submitting a copy of the official minutes of the meeting at which approval was granted. In addition, the name and telephone number of the Moderator and Clerk of Session must be attached to the minutes of the meeting.

## 7.0 Revisions to this Policy

Notice of proposed changes to this policy must be in writing and communicated with the call to a meeting of Presbytery.

## 8.0 Emergency Loans

8.1 The Loan Processing Group may consider bone fide emergency loans, outside the normal process specified in this Loan Policy.

8.2 Emergency loans may be approved by the Executive Presbyter upon the concurrence of at least three other members of the Loan Processing Group.

8.2.1 No Executive Presbyter approved emergency loan is to exceed \$10,000.

8.2.2 The loan maturity shall not exceed five years. The Commission on Mission, Budget and Corporate Responsibility / Board of Trustees shall approve other loan terms that give effect to the criteria set forth in Sections 4.2 and 4.4 hereof.

8.3 The Presbytery may approve emergency loans that exceed the duration and amount set forth in this Section 8 upon the recommendation of the Commission on Mission, Budget and Corporate Responsibility / Board of Trustees that gives effect to the criteria set forth in Section 3.1 hereof.

## **New York City Presbytery Loan Application Addendum**

### Requirements for Submitting a Church Loan Application or Loan Guarantee

In order to make the process of obtaining a loan easier, and in order for an application to be considered for approval, please attach the following to the completed loan application.

#### A. Support of the Presbytery by your Church

- Annual Statistical report for last 2 years
- Report of Per Capita and Mission Giving for the last 2 years
- A copy of your Mission Strategy Statement (Please prepare on a separate sheet of paper and attach to your application. Describe how your mission strategy fits into the Presbytery's mission strategy.)
- A statement of accounts payable to Presbytery and other Presbyterian Church (USA) entities (covering all items, including insurance, direct loans and guaranteed loans) for the last 2 years
- Names of members of your church who have served on Presbytery Committees or Commissions during the last 2 years

#### B. Financial Statements

- Current Income and Expense Statement
- Balance Sheet for the last fiscal year
- Current Budget
- Proposed Budget, if available
- Proposed repayment plan

#### C. Building Documentation, if applicable

- Architect's drawings (file size please), showing floor plan and elevation (if construction loan)
- Appraisal (for purchase contracts)
- Copies of three (3) contractors' estimates
- NB. The Loan Processing Group is available to recommend ways to find suitable architects and contractors.

#### D. Purpose of the Loan

- Describe briefly your goals and objectives for the next twelve months. Describe how the proposed site relocation, renovation or addition will facilitate the implementation of the congregation's mission goals and objectives.
- Describe how the proposed new site will respond to the need for improved stewardship of the earth's natural resources and to the need for more efficient use of energy.

#### E. Additional Items required prior to loan closing or loan guarantee

- Acknowledgment of receipt of the commitment letter.
- Copy of your church's By-Laws certified by your Clerk of Session.
- Copy of your Articles of Incorporation certified by NY State within the last two years.
- Copy of the title insurance for the property, showing clear title. Draft of the proposed mortgage.
- Copy of the Promissory Note.
- Copies of the construction contracts, if applicable. Copy of the Performance Bond, if applicable.

- Evidence of compliance with zoning regulations.
- Evidence of liability and fire insurance coverage naming the lender as mortgagee.
- Builder's risk insurance, if applicable.
- Copy of the minutes of the meeting of the congregation showing approval of the construction/renovation.

Please return your application along with all requested documents to:

Presbytery of New York City  
Attention: Financial Controller  
475 Riverside Drive  
New York, NY 10115

Or, by email to: [jtse@presbytery.org](mailto:jtse@presbytery.org)