

BUILDING & LOAN MANUAL OF THE WESTERN NORTH CAROLINA CONFERENCE OF THE UNITED METHODIST CHURCH

BUILDING THE FUTURE



BUILDING AND LOAN MANUAL

TABLE OF CONTENTS

Introduction	2
Purchase Property for Church, Education Building or Parsonage	4
Purchase Property to Hold	8
Sale of Existing Church Property	10
Renovation of Existing Church Property Where Renovation Cost Exceeds 25% of the Existing Building Value	12
Leasing Property: Including Cell Towers, Parking Easements, Driveway Easements, Ground Leases, Leasing within the Building, etc. that are Greater than 30 Day Duration	17
Approval of Mortgages Secured by United Methodist Properties	19
New Construction of Church, Education Building or Parsonage on Existing Church Property	21
Appendix A Considerations & Suggestions	25
Appendix B Book of Discipline Quick Reference (2016 Edition)	31
Appendix C Samples of Approval Forms	33
Appendix D United Methodist Foundation Loan Application	41

For more information, contact:

Susan Cothorn, Director of Ministry Services
United Methodist Foundation
of Western North Carolina
704.817.3990, ext. 1507
scothorn@umfwnc.org

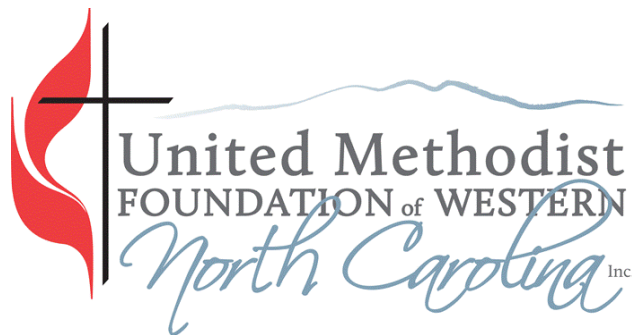
Joel Gilland, President
Wesley Community Development
704.924.8942
info@wesleycdc.com

13816 Professional Center Drive
Huntersville, North Carolina 28078

INTRODUCTION

The United Methodist Foundation of Western North Carolina, Inc. and Wesley Community Development are two ministries of the Western North Carolina Conference of the United Methodist Church. Both of these ministries were created for the church, by the church, to support United Methodist churches and related institutions.

The United Methodist Foundation of Western North Carolina, Inc. (hereinafter referred to as the Foundation) is a ministry of the Church and for the Church whose mission is to *Build the Church for Generations to Come*. We fulfill this mission by investing in people, churches and related institutions, and innovation. We envision a church where people live out their discipleship through the faithful stewardship of their God-given resources.



The UMF Loan Program was created to provide low variable rate loans to United Methodist churches and other related United Methodist organizations in North and South Carolina. Funding for our UMF Loan Program comes from the UMF Development Fund which is open to individual investors as well as churches and organizations across North and South Carolina. (Investors do not need to be Methodist to participate in the UMF Development Fund.)

In addition to the UMF Loan Program and Development Fund, the Foundation works with churches of all sizes, ages, demographic makeup and financial conditions to offer investment fund options, endowment development, and planned giving workshops.



Wesley Community Development (hereinafter referred to as Wesley) was founded in 2002 as a nonprofit to work with churches throughout North Carolina to develop or repurpose real estate to meet the needs of the Church and the greater community. Wesley works with churches to rethink how existing church-owned real estate that is not being fully used can be deployed to meet community needs. And Wesley helps churches navigate all aspects of a project – from identifying a community need that can be alleviated through real estate, to managing the development project, to designing innovative financing programs that meet community needs.

This ***Building and Loan Manual*** is a guidebook for Western North Carolina United Methodist Churches. It outlines step-by-step procedures that will assist new and existing churches through the building and loan process for new construction, new additions, renovations and capital improvements, and refinance loans.

It is designed to help churches, districts and other agencies of the Western North Carolina Conference of the United Methodist Church (WNCCUMC) develop a sound building and financial plan that will conform to existing conference policies, mandated legal requirements, loan policies of the Foundation, and *The Book of Discipline* of the United Methodist Church.

In addition to these guidelines, each district may have further requirements. We encourage local charge conferences, boards of trustees or finance committees to contact the Foundation, Wesley, and their local District Superintendent before beginning the building and loan process.

The Foundation and Wesley seek to partner with local churches as they consider building projects and related financial issues. Through this manual and other consultative services, we seek to help individual churches develop a comprehensive plan that considers all aspects of its current and future operations, including: mission, ministries, history, current status and vision for the future.

This manual not only adheres to the United Methodist *Book of Discipline*, it is specific to the Foundation and Wesley. However, if you should choose to work with other partners, this manual will still provide helpful information as you go through the building and loan process with other builders and/or funders.

Purchase Property for Church, Education Building or Parsonage

**Purchase Property for Church, Education
Building or Parsonage**

The Process:

Step	Reference	Action	Notes	Reference Material Included
Establish a Study Committee	Book of Discipline P 2544, 1	1. Analyze the needs of the church and community 2. Project the potential membership with average attendance 3. Write up the church's program of ministry 4. Develop an accessibility plan including chancel areas. This report will be used to (a) form the basis of a report to be presented to the Charge Conference (b) be used by the Building Committee (c) become a part of the report to the District Board of Church Location and Building		
Contact the District Office to set a meeting with District Committee on Church Location and Building	Recommended Step	The exploration of property for construction is extensive. The Book of Discipline offers little guidance on due diligence. This is an appropriate time for the church to sit down with the District Superintendent, the Foundation and Wesley before the church gets too deep in the process.		
Secure Approval of the District Board of Church Location and Building	Book of Discipline P 2544, 3	As Stated	This approval process may take one or several meetings. The better the information is compiled and presented and the complexity of the request are factors to the timeline. See additional information at P 2520, 1.	Approval Letter Template
Secure Approval Of the Pastor	Book of Discipline P 2544, 2	As Stated		Approval Letter Template
Secure Approval Of the District Superintendent	Book of Discipline P 2544, 2	As Stated		Approval Letter Template
Charge Conference Approval of Project and Appointment of Building Committee	Book of Discipline P 2544, 4	Charge Conference to authorize the project and appoint a Building Committee of no fewer than three members of the local church. Charge Conference can appoint its Board of Trustees as the Building Committee	Charge Conference must be called with ten days notice from the pulpit, newsletter and/or other means	Approval Letter Template

	Recommended Step	In these steps the church will be looking to engage an architect and potentially a civil engineer. It is important that these agreements only be for schematic design, not full construction drawings. If the Board of Church Location and Building or the District Superintendant were to not approve the project the church would not want to be contracted for work it will not require. Guidance from the Board, Wesley and the Foundation at this stage is advised.		
Building Committee	Book of Discipline P 2544, 5	Building Committee uses information from the Study Committee and any other relevant information to estimate the building facilities needed, develop preliminary architectural plans and site plans. Building Committee develops the financial plan to pay for the project		
	Recommended Step	The financial plan is the backbone to this process. This should include conversations with the Foundation at the beginning.		
Building Committee Submittal to the Board of Church Location and Building	Book of Discipline P 2544, 6	Building Committee submits to the Board of Church Location and building (a) a statement of need for the proposed facilities (b) the preliminary architectural plans including accessibility plan (c) the preliminary cost estimate (d) the preliminary financial plan	CLB has the mandate to approve the new site from a variety of perspectives. These should come at this juncture. Without site approval the remainder of the work becomes unnecessary. Consultation with Wesley is recommended.	
	Note	This design level is schematic design. The church should not contract for any further drawings prior to Board and District Superintendant approval.		
Secure Board of Church Location and Building Preliminary Approval	Book of Discipline P 2544, 6&7			
Pastor, with written consent from the District Superintendent calls for Charge Conference	Book of Discipline P 2544, 7		Charge Conference must be called with ten days notice from the pulpit, newsletter and/or other means	

Building Committee Presents to Charge Conference	Book of Discipline P 2544, 7	Building Committee presents (a) preliminary architectural plans (b) preliminary cost estimate (c) preliminary financial plan (d) The Building Committee's recommendation	A majority vote of the membership present must approve the four components	
Building Committee Continued Work	Book of Discipline P 2544, 8	After Charge Conference approval The Building Committee will develop detailed plans and specifications and secure a reliable and detailed estimate of cost.		
Charge Conference Approval	Book of Discipline P 2544, 8	Building Committee will present the detailed plans, specifications and costs to the Charge Conference for approval.	Charge Conference must be called with ten days notice from the pulpit, newsletter and/or other means. A majority vote of the membership present must approve	
Board of Church Location and Building Approval	Book of Discipline P 2544, 8	Building Committee will present the detailed plans, specifications and costs to the Board of Church Location and Building for approval.		Approval Letter Template
Approvals Submitted	Book of Discipline P 2544, 9	Written documentation substantiating the Charge Conference Approval and the Board of Church Location and Building approval are to be submitted to the District Superintendent and the Secretary of the Charge Conference		
Loan Completion	Book of Discipline P 2544, 12	If a loan is needed the local church shall comply with the provisions of P 2540 or P 2541	P 2540 and 2541 refer to sale, transfer, lease or mortgage of property. Please refer to Chart for approval of Mortgages	
Women and Minority Contractors	Book of Discipline P 2544, 10	In Metropolitan areas the Building Committee Will ensure adequate steps are taken to obtain the services of minority and female skilled persons in the construction in proportion to the racial and ethnic balance in the area. In non Metropolitan areas the Building Committee will ensure that racial and ethnic persons are employed in construction where available and in relation to the available workforce.		
Site Acquisition		Include the Trust Clause.	Refer to the Chart for Purchase of Property	
Construction of Project	Recommended Step	Prior to bidding or entering into contracts (e.g., General Contractor) consultation with Wesley is recommended.		

Purchase Property to Hold

Purchase Property to Hold

NOTE: There are minor differences in this action based on the incorporated status of the church. Please refer to P2534 & P2536 for Unincorporated, P2538 & P2539 for Incorporated

The Process:

Step	Reference	Action	Notes	Reference Material Included
Contact the District Office to set meeting with District Committee on Church Location and Building	Recommended Step	While this is not part of the Book of Discipline, this would be the right time for church with their DS to meet with the Foundation and Wesley .		
Charge Conference Approval of Proposed Action	Book of Discipline P 2537, 1&2	Charge Conference to approve a resolution of the proposed action by majority vote.	Charge Conference must be called with ten days notice from the pulpit, newsletter and/or other means	
Approval by the Pastor and District Superintendent	Book of Discipline P 2538, 3			
Execution of Instrument	Book of Discipline P 2540, 4	With above approvals the instrument should be executed by any two officers of the Board of Trustees		
NOTE: Trust Clause	Book of Discipline P 2503	All instruments of conveyance by which premises are held or hereafter acquired for use as a place for divine worship or other activities for members of The United Methodist Church shall contain the following trust clause: (provide closing attorney the Clause section of The Book of Discipline located in P2503) All United Methodist properties will contain the trust clause.		

Sale of Existing Church Property

Sale of Existing Church Property

NOTE: There are minor differences in this action based on the incorporated status of the church. Please refer to P2540 for Unincorporated, P2541 for Incorporated

The Process:

Step	Reference	Action	Notes	Reference Material Included
	Recommended Step	There is no analysis required or suggested in the Book of Discipline to understand why the sale and determine if fair market value is achieved. Consultation with Wesley is suggested.		
Charge Conference Approval of Proposed Action	Book of Discipline P 2540, 1&2	Charge Conference to approve a resolution of the proposed action by majority vote.	Charge Conference must be called with ten days notice from the pulpit, newsletter and/or other means	
Investigation by the Pastor, District Superintendent and Board of Church Location and Building	Book of Discipline P 2540, 3	Prior to Pastor and District Superintendent approval: a) Full investigation of the plan of action for the future missional needs of the community b) Assure the encumbrance conforms to the Book of Discipline. The requirements of the investigation and the development of any future missional plan for the community must be considered.		
Execution of Instrument	Book of Discipline P 2540, 4	With above approvals the instrument should be executed by any two officers of the Board of Trustees		
NOTE: Usage of proceeds.	Book of Discipline P 2543	Note restriction on proceeds of sale. These proceeds cannot be used for current budget or operating expenses of the church. They can only be used for capital expenditures.		

Renovation of Existing Church Property Where
Renovation Cost Exceeds 25% of the Existing Building
Value

**Renovation of Existing Church Property
Where that Renovation Cost Exceeds 25%
of the Existing Building Value**

The Process:

Step	Reference	Action	Notes	Reference Material
Establish a Study Committee	Book of Discipline P 2544, 1	1. Analyze the needs of the church and community 2. Project the potential membership with average attendance 3. Write up the church's program of ministry 4. Develop an accessibility plan including chancel areas. This report will be used to (a) form the basis of a report to be presented to the Charge Conference (b) be used by the Building Committee (c) become a part of the report to the District Board of Church Location and Building		
	Recommended Step	Although not a part of the Book of Discipline. This would be the right time for church with their DS to meet with the Foundation and Wesley . While this step is not mandated it is recommended.		
Secure Approval of the District Board of Church Location and Building	Book of Discipline P 2544, 3	As Stated	This approval process may take one or several meetings. The better the information is compiled and presented and the complexity of the request are factors to the timeline. See additional information at P 2520 for Responsibilities of the District Board of Church Location and Building.	Approval Letter Template
Secure Approval Of the Pastor	Book of Discipline P 2544, 2	As Stated		Approval Letter Template
Secure Approval Of the District Superintendent	Book of Discipline P 2544, 2	As Stated		Approval Letter Template

Charge Conference Approval of Project and Appointment of Building Committee	Book of Discipline P 2544, 4	Charge Conference to authorize the project and appoint a Building Committee of no less than three members of the local church. Charge Conference can appoint its Board of Trustees as the Building Committee	Charge conference must be called with ten days notice from the pulpit, newsletter and/or other means	Approval Letter Template
	Recommended Step	In these steps the church will be looking to engage an architect and potentially a civil engineer. It is important that these agreements only be for schematic design, not full construction drawings. If the Board of Church Location and Building or the District Superintendant were to not approve the project the church would not want to be contracted for work it will not require. Guidance from the Board, Wesley and the Foundation at this stage is advised.		
Building Committee	Book of Discipline P 2544, 5	Building Committee uses information from the Study Committee and any other relevant information to estimate the building facilities needed, develop preliminary architectural plans and site plans. Building Committee develops the financial plan to pay for the project		
	Recommended Step	The financial plan is the backbone to this process. No guidance on how to approach this is offered. A renovation should require an extensive space usage study of the existing facility as well as analysis (structural, electrical, mechanical, plumbing, environmental, etc.). Consultation with Wesley and the Foundation is recommended.		
Building Committee Submittal to the Board of Church Location and Building	Book of Discipline P 2544, 6	Building Committee submits to the Board of Church Location and Building (a) a statement of need for the proposed facilities (b) the preliminary architectural plans including accessibility plan (c) the preliminary cost estimate (d) the preliminary financial plan	"Preliminary Design" should only be a schematic design. The church should not contract for additional drawings prior to receiving approvals.	
Secure Board of Church Location and Building Preliminary Approval	Book of Discipline P 2544, 6&7			

Pastor, with written consent from the District Superintendent calls for Charge Conference	Book of Discipline P 2544, 7		Charge conference must be called with ten days notice from the pulpit, newsletter and/or other means	
Building Committee Presents to Charge Conference	Book of Discipline P 2544, 7	Building Committee presents (a) preliminary architectural plans (b) preliminary cost estimate (c) preliminary financial plan (d) The Building Committee's recommendation	A majority vote of the membership present must approve the four components	
	Recommended Step	Consult with the Foundation on the preliminary financial plan.		
Building Committee Continued Work	Book of Discipline P 2544, 8	After Charge Conference approval The Building Committee will develop detailed plans and specifications and secure a reliable and detailed estimate of cost.		
Charge Conference Approval	Book of Discipline P 2544, 8	Building Committee will present the detailed plans, specifications and costs to the Charge Conference for approval.	Charge Conference must be called with ten days notice from the pulpit, newsletter and/or other means. A majority vote of the membership present must approve	
Board of Church Location and Building Approval	Book of Discipline P 2544, 8	Building Committee will present the detailed plans, specifications and costs to the Board of Church Location and Building for approval.		Approval Letter Template
Approvals Submitted	Book of Discipline P 2544, 9	Written documentation substantiating the Charge Conference Approval and the Board of Church Location and Building approval are to be submitted to the District Superintendent and the Secretary of the Charge Conference		
Loan Completion	Book of Discipline P 2544, 12	If a loan is needed the local church shall comply with the previsions of P 2540 or P 2541	P 2540 and 2541 refer to sale, transfer, lease or mortgage of property. Please refer to Chart for approval of Mortgages	

Women and Minority Contractors	Book of Discipline P 2544, 10	In Metropolitan areas the Building Committee Will ensure adequate steps are taken to obtain the services of minority and female skilled persons in the construction in proportion to the racial and ethnic balance in the area. In non Metropolitan areas the Building Committee will ensure that racial and ethnic persons are employed in construction where available and in relation to the available workforce.		
Construction of Project	Recommended Step		There is no guidance as to how or when to contract a general contractor, no guidance on best practices and (no approval of contract required.) Consultation with Wesley is advised.	

Leasing Property: Including Cell Towers, Parking Easements, Driveway Easements, Ground Leases, Leasing Within the Building, etc. that are Greater than 30 Days in Duration

**Leasing Property: Including Cell Towers,
Parking Easements, Driveway Easements,
Ground Leases, Leasing within the
Building, etc. That are Greater than 30
Days in Duration**

***NOTE: There are minor differences in
this action based on the incorporated
status of the church. Please refer to P2540
for Unincorporated, P2541 for
Incorporated***

The Process:

Step	Reference	Action	Notes	Reference Material
Contact the District Office to set meeting with District Committee on Church Location and Building	Necessary Step	Although not part of the Book of Discipline, this would be the right time for church with their DS to meet with the Foundation and Wesley	The Book of Discipline requires approval by the District Board of Church Location and Building. (Book of Discipline P 2544,3) The District Office will assist in the setting up of that meeting	
			All leases and easements including ground leases, cell tower leases, driveway easements, etc. must subordinate to the trust clause. Legal counsel is high recommended as in consultation with Wesley .	
Charge Conference Approval of Proposed Action	Book of Discipline P 2540, 1&2	Charge Conference to approve a resolution of the proposed action by majority vote.	Charge Conference must be called with ten days notice from the pulpit, newsletter and/or other means	
Investigation by the Pastor, District Superintendent and Board of Church Location and Building	Book of Discipline P 2540, 3	Prior to Pastor and District Superintendent approval: a) Full investigation of the plan of action for the future missional needs of the community and how the encumbrance may impact the mission needs b) Assure the encumbrance conforms to the Book of Discipline. The instrument shall not create an unintended implied or legal assurance that would impact the future use of the land.		
Execution of Instrument	Book of Discipline P 2540, 4	With above approvals the instrument should be executed by any two officers of the Board of Trustees		

Approval of Mortgages Secured by United Methodist Properties

**Approval of Mortgages Secured by United
Methodist Properties**

***NOTE: There are minor differences in
this action based on the incorporated
status of the church. Please refer to P2540
for Unincorporated, P2541 for
Incorporated***

The Process:

Step	Reference	Action	Notes	Reference Material Included
			While a mortgage that is a part of new construction or a 25% renovation requires the full review of Church Location and Building, the refinancing of existing debt where there is no increase in the debt amount does not require Church Location and Building approval.	
Contact the District Office	Recommended Step	Though not part of the Book of Discipline, this would be the right time for church with their DS to meet with the Foundation . *Refinance of the existing mortgage where there is no increase in debt amount does not require Church Location and Building approval.		
Charge Conference Approval of Proposed Action	Book of Discipline P 2540, 1&2	Charge Conference to approve a resolution of the proposed action by majority vote.	Charge Conference must be called with ten days notice from the pulpit, newsletter and/or other means	
Investigation by the Pastor, District Superintendent and Board of Church Location and Building	Book of Discipline P 2540, 3	Prior to Pastor and District Superintendent approval: a) Full investigation of the plan of action for the future missional needs of the community b)Assure the encumbrance conforms to the Book of Discipline.		
Execution of Instrument	Book of Discipline P 2540, 4	With above approvals the instrument should be executed by any two officers of the Board of Trustees		
NOTE: Usage of Proceeds.	Book of Discipline P 2543	Note restriction on proceeds of mortgage. These proceeds cannot be used for current budget or operating expenses of the church. They can only be used for capital needs.		

New Construction of Church, Education Building or Parsonage on Existing Church Property

**New Construction of Church, Education
Building or Parsonage on Existing Church
Property**

The Process:

Step	Reference	Action	Notes	Reference Material
Establish a Study Committee	Book of Discipline P 2544, 1	1. Analyze the needs of the church and community 2. Project the potential membership with average attendance 3. Write up the church's program of ministry 4. Develop an accessibility plan including chancel areas. This report will be used to (a) form the basis of a report to be presented to the Charge Conference (b) be used by the Building Committee (c) become a part of the report to the District Board of Church Location and Building		
Contact the District Office to set meeting with District Committee on Church Location and Building	Recommended Step	Though not part of the Book of Discipline, this would be the right time for church with their DS to meet with the Foundation and Wesley . While this step is not mandated it is highly recommended.		
Secure Approval of the District Board of Church Location and Building	Book of Discipline P 2544, 3	As Stated	This approval process may take one or several meetings. The better the information is compiled and presented and the complexity of the request are factors to the timeline. See additional information on the District Board of Church Location and Building see P 2520, 1.	Approval Letter Template
Secure Approval Of the Pastor	Book of Discipline P 2544, 2	As Stated		Approval Letter Template
Secure Approval Of the District Superintendent	Book of Discipline P 2544, 2	As Stated		Approval Letter Template
Charge Conference Approval of Project and Appointment of Building Committee	Book of Discipline P 2544, 4	Charge Conference to authorize the project and appoint a Building Committee of no less than three members of the local church. Charge Conference can appoint its Board of Trustees as the Building Committee	Charge Conference must be called with ten days notice from the pulpit, newsletter and/or other means	Approval Letter Template
	Recommended Step	In these steps the church will be looking to engage an architect and potentially a civil engineer. It is important that these agreements only be for schematic design, not full construction drawings. If the Board of Church Location and Building or the District Superintendant were to not approve the project the church would not want to be contracted for work it will not require. Guidance from the Board, Wesley and the Foundation at this stage is advised.		

Building Committee	Book of Discipline P 2544, 5	Building Committee uses information from the Study Committee and any other relevant information to estimate the building facilities needed, develop preliminary architectural plans and site plans. Building Committee develops the financial plan to pay for the project		
	Recommended Step	The financial plan is the backbone to this process and the early design work can greatly impact the eventual cost.. Consultation with the Foundation and Wesley is recommended.		
Building Committee Submittal to the Board of Church Location and Building	Book of Discipline P 2544, 6	Building Committee submits to the Board of Church Location and Building (a) a statement of need for the proposed facilities (b) the preliminary architectural plans including accessibility plan (c) the preliminary cost estimate (d) the preliminary financial plan		
Secure Board of Church Location and Building Preliminary Approval	Book of Discipline P 2544, 6&7			
Pastor, with written consent from the District Superintendent calls for Charge Conference	Book of Discipline P 2544, 7		Charge Conference must be called with ten days notice from the pulpit, newsletter and/or other means	
Building Committee Presents to Charge Conference	Book of Discipline P 2544, 7	Building Committee presents (a) preliminary architectural plans (b) preliminary cost estimate (c) preliminary financial plan (d) The Building Committee's recommendation	A majority vote of the membership present must approve the four components	
Building Committee Continued Work	Book of Discipline P 2544, 8	After Charge Conference approval The Building Committee will develop detailed plans and specifications and secure a reliable and detailed estimate of cost.		
Charge Conference Approval	Book of Discipline P 2544, 8	Building Committee will present the detailed plans, specifications and costs to the Charge Conference for approval.	Charge Conference must be called with ten days notice from the pulpit, newsletter and/or other means. A majority vote of the membership present must approve	
Board of Church Location and Building Approval	Book of Discipline P 2544, 8	Building Committee will present the detailed plans, specifications and costs to the Board of Church Location and Building for approval.		Approval Letter Template
Approvals Submitted	Book of Discipline P 2544, 9	Written documentation substantiating the Charge Conference Approval and the Board of Church Location and Building approval are to be submitted to the District Superintendent and the Secretary of the Charge Conference		
Loan Completion	Book of Discipline P 2544, 12	If a loan is needed the local church shall comply with the provisions of P 2540 or P 2541	P 2540 and 2541 refer to sale, transfer, lease or mortgage of property. Please refer to Chart for approval of Mortgages	

Women and Minority Contractors	Book of Discipline P 2544, 10	In Metropolitan areas the Building Committee Will ensure adequate steps are taken to obtain the services of minority and female skilled persons in the construction in proportion to the racial and ethnic balance in the area. In non Metropolitan areas the Building Committee will ensure that racial and ethnic persons are employed in construction where available and in relation to the available workforce.		
Construction of Project	Recommended Step	Prior to bidding or entering into contracts (e.g., General Contractor) a consultation with Wesley is recommended.		

Appendix A

THINGS TO CONSIDER BEFORE YOU BEGIN YOUR BUILDING PROJECT

When an institution is considering a building project, financial issues are at the forefront of the decision making process. Sometimes it is difficult to know if the right questions are being asked, much less whether you are coming up with the correct answers. As your partner in the building and loan process, the Foundation is happy to share its expertise and resources. As you begin the planning process, here are some issues you may want to consider.

SHOULD WE PAY CASH OR SHOULD WE BORROW?

It is always less expensive for a church to pay cash for a capital project. However, a church might consider borrowing when its vision and ministry depend on a capital project that cannot be paid for in cash, and, it can generate enough income to service the debt and not create shortfalls or hardships on the other obligations of the church.

SHOULD WE CONSIDER A CAPITAL CAMPAIGN?

Almost every church we encounter uses a Capital Campaign for major projects. A Capital Campaign is an organized effort to raise funds over and above the operating budget. This money can be used to pay for construction costs, or principal and interest for the term of the Campaign.

During this time your operating budget should be able to grow enough to make the monthly loan payments and to cover additional apportionments, maintenance, programming, staff and other needs.

It has been our observation that churches:

- Take from three to five months for a campaign
- Will collect about 85% of the pledges; and
- By using an outside consultant can expect to raise 50% more in commitments than if they used a self-led campaign.

WHEN HIRING AN OUTSIDE CONSULTANT:

- Churches should interview as many consultants as possible to find the right match for their church.
- Fees will vary with the size of the fund-raising organization. It is best to negotiate a stated fee in advance of the drive, understanding that the out-of-pocket costs (housing, travel, phone and materials) are usually in addition to the stated fee. A fee based on a percentage of funds raised is not encouraged.

(See “Consultant Interview Sheet” on next page.)

Because of the need for individual churches to find the right campaign consulting partner for their particular needs, the Foundation and Wesley Community Development do not recommend specific consultants. Rather, we support the endorsements of the Campaign Consultants that are listed (and updated regularly) on the Disciple Ministries page of UMC.org: www.umcdiscipleship.org/resources/capital-campaign-consultants.

CONSULTANT INTERVIEW SHEET

- Who is the on-site consultant responsible for this campaign?
- How many years of experience does the consulting company have?
- How many years of experience does the consultant have?
- Number of campaigns in United Methodist Churches?
- Number of campaigns in similar sized churches?
- How much time will the campaign take?
- What is the best time of year for the campaign?
- Will there be one person conducting the campaign?
- Will this person conduct other campaigns at the same time?
- How much time will the consultant actually spend on site?
- Will church members be used in this campaign?
 - If so, how many?
 - How will they be used?
- How will the campaign be developed to meet the distinctive needs of our congregation?
- What kind of follow-up is provided?
- How will the consultant work with the congregation in setting goals and preparing for an effective campaign?
- What are the fees and how are they paid?
- What other costs are associated with this campaign?
- What were the last three campaigns the consultant conducted and what were their outcomes?
- List three other references.
- How will the consultant lead the congregation in understanding Christian stewardship and giving, specifically within the United Methodist Wesleyan tradition?

HOW MUCH CAN WE EXPECT TO GROW?

On the average, active, growing churches increase their operating income five percent per year. Occasionally, a church may grow at a greater rate, but very seldom is this growth maintained on a year-to-year basis. A five- percent income growth figure is a good yardstick for most churches.

IF YOUR CHURCH IS RELOCATING

If your church is relocating, you may be counting on defraying the cost of the move by selling the current site. Before you estimate your profits, understand that selling church property can be difficult and the market value of your property may be much lower than you anticipate. Be willing to take an objective look at your property value and consult a real estate broker if necessary.

You should also be aware that the Foundation would not loan money to the potential buyer of your old site unless the buyer is a United Methodist Church or agency of the Western North Carolina Conference.

We will not lend money based on a note receivable you take from a buyer.

Any loan decision we make will not be based on the sale of the old site to pay down on a new loan.

WHICH IS MORE IMPORTANT, CASH FLOW OR COLLATERAL?

We qualify all borrowers based on their ability to generate enough cash to repay a loan. We do not look at collateral value as the primary source of repayment.

DETERMINING SAFE DEBT SERVICE

We recommend that your total loan payments in a given year should not exceed 35% of your operating income on debt service. Your safe debt level should be determined on the basis of:

- Current budget items
- Available cash
- Anticipated future growth, and
- Capital fund pledges

ARE THERE OTHER COSTS ASSOCIATED WITH A BUILDING PROJECT?

- Architectural Fees
- Engineering Fees
- Capital Funds Campaign
- Closing costs and loan interest
- Site Purchase
- Site Preparations and Finishes: Clearing and tree replacement, cut and fill, right-of-way improvements, environmental mitigation/removal, landscaping
- Legal fees: (for property title search, etc.), construction contractor services
- Bond and Insurance Costs: Payment and performance bonds, builder's risk and liability insurance
- Permits, Zoning Changes and Inspections: Driveway permits, re-zoning, variance and exception costs, sub-surface soil inspections, soils investigation, survey boundary, topographical, tree inspection, environmental survey
- Utilities: Water connection/plant, sewer connection/plant, storm water connection, telephone/electrical/gas service
- Staff Needs and Workman's Compensation
- Furnishings
- Signs
- Maintenance Costs
- Contingency Amounts

ARE THERE CERTAIN REGULATORY REQUIREMENTS THAT SHOULD BE RESEARCHED AND CONSIDERED?

- Local Water Management District
- North Carolina Department of Environmental Protection
- US Army Corps of Engineers
- City Planning Board
- City Building Code: Landscape Code, Signage Code
- City Concurrence of Capacity: Recreation, Traffic Impact, Mass Transit, Water/Storm/Sewer
- City Fire Marshall
- City Zoning Code: Minimum Lot Size, Setbacks, Maximum Lot Coverage, maximum height, PUD stipulations
- Federal/State Accessibility Law

NEW CHURCH SITE

- How much land is needed if the church is relocating to a new site?
- Is the new site debt free?
- Has a study been conducted to determine utilities accessibility, traffic flow, curb cuts, etc.
- Has a study been made of all local, management district, county and state building codes and regulations?
- Will the new site meet all such requirements?
- Has a relocation plan and the new site been approved by the District Board of Church Location and Building?

WHAT SHOULD BE CONSIDERED WHEN EXAMINING A POTENTIAL NEW SITE?

- Community Land Use Plan
- Existing Church Activity
- Ten Year Demographics
- Visibility
- Frontage
- Access
- Appraisal
- Schools
- Housing
- Commercial/Industrial use or zoning
- Deed Restrictions: Site use, design review, maintenance requirements, setbacks, building size easements, etc.

Appendix B

Book of Discipline Quick Look (2016 Edition)

<i>Paragraph</i>	<i>Core information</i>
2501	The Trust Clause in Title
2502	Registration of the <i>United Methodist</i> name
2503	The Trust Clause in Deed
2504	The Trust Clause in Union
2505	Oil, Gas and Mineral Leases
2506	Conformity with Local Law
2507	Defining Trustees
2508	Conformity of Deeds and Conveyances with Local Law
2511	Bonding
2519	District Boards of Church Location and Building
2520	District Boards of Church Location and Building, Duties and Responsibilities
2521	Standards for the Approval of Building Proposals
2522	Appeals of District Board of Church Location and Building Decisions
2525	Qualifications: Local Board of Trustees
2526	Elections: Local Board of Trustees
2527	Church Conferences: Duties, Authority and Membership
2529	Charge Conference Authority
2530	Local Church Board of Trustees: Organization and Membership
2531	Local Church Board of Trustees: Removal
2532	Local Church Board of Trustees: Meetings
2533	Local Church Board of Trustees: Powers and Limitations
2538	Incorporated Local Church Property: Title and Purchase
2539	Incorporated Local Church Property: Notice and Authorization
2540	Unincorporated Local Church Property: Sale, Transfer, Lease or Mortgage
2541	Incorporated Local Church Property: Sale, Transfer, Lease or Mortgage
2542	Disposition and Mortgage of Church Building or Parsonage
2543	Restriction on Proceeds of Mortgage or Sale
2544	Planning and Financing Requirements for Local Church Buildings
2545	Consecration and Dedication of Local Church buildings
2546	Merger of Local United Methodist Churches
2547	Interdenominational Local Church Mergers
2550	Board of Trustees Report to the Charge conference
2551	Covenant Relationships in Multi-Ethnic and Multi-Language Settings

Appendix C

SAMPLE ONE

APPROVAL OF PASTOR AND DISTRICT SUPERINTENDENT

Approval as required by the
2016 Book of Discipline of the United Methodist Church
(Paragraph 2544.4 (a))

We, the Pastor and District Superintendent, do hereby endorse the report of the Study Committee of the _____ United Methodist Church. The Study Committee is authorized to present its findings to the Charge Conference for further action in accordance with the 2016 Book of Discipline of the United Methodist Church.

Date _____

Pastor _____

Date _____

District Superintendent _____

SAMPLE TWO

APPROVAL OF SITE BY DISTRICT BOARD OF CHURCH LOCATION AND BUILDING

Approval as required by the
2016 Book of Discipline of the United Methodist Church
(Paragraph 2520)

This is to certify that the District Board of Church Location and Building of the _____ District, Western North Carolina Conference, has studied the proposed site for the building project for the _____ United Methodist Church and hereby gives its approval.

Date _____

Secretary _____

Date _____

District Superintendent _____

SAMPLE THREE

CHARGE CONFERENCE RESOLUTION

Approval as required by the
2016 Book Of Discipline Of The United Methodist Church
(Paragraph 2544.4)

BE IT RESOLVED by the Charge Conference of _____
UNITED METHODIST CHURCH (“the Church”) that the Church has reviewed the analysis of
the needs of the church and community, the projections of membership and attendance, and the
program of ministry as prepared and presented by the study committee; and based upon these
reports does authorize the proposed

And shall elect the following members to serve on the building committee (no less than three
members*):

_____	_____
_____	_____
_____	_____
_____	_____

Name, Chairperson

Date

Name, Secretary

Date

*The Charge Conference may appoint a separate Building Committee or authorize the Board of
Trustees to act as a Building Committee.

SAMPLE FOUR

**APPROVAL OF NEEDS, PRELIMINARY ARCHITECTURAL PLANS,
FINANCIAL ESTIMATES AND PLANS
BY DISTRICT BOARD OF CHURCH LOCATION AND BUILDING**

Approval as required by the
2016 Book Of Discipline Of The United Methodist Church
(Paragraph 2544.6)

This is to certify that the District Board of Church Location and Building of the

_____ District, Western North Carolina Conference, has studied
the need for the proposed _____

_____ of the _____ United Methodist Church of

_____ and has approved
the architectural plans and financial estimates and plans, and hereby gives its
approval.

Date _____

Secretary _____

Date _____

District Superintendent _____

SAMPLE FIVE

**APPROVAL OF NEEDS, PRELIMINARY ARCHITECTURAL PLANS,
FINANCIAL ESTIMATES AND PLANS BY CHURCH CONFERENCE**

Approval as required by the
2016 Book of Discipline of the United Methodist Church
(Paragraph 2544.7)

This is to certify that a Church Conference of _____ United

Methodist Church of _____ has studied the need for the proposed:

and has approved the architectural plans and financial estimates and plans, and hereby gives its
approval for continuation of the project.

Date _____

Secretary: _____

Date _____

Pastor: _____

Date _____

District Superintendent: _____

SAMPLE SIX

CHARGE/ CHURCH CONFERENCE RESOLUTION

Approval as required by the
2016 Book Of Discipline Of The United Methodist Church
(Paragraph 2544.12)

BE IT RESOLVED by the Charge Conference of _____
UNITED METHODIST CHURCH (the "Church") that the Church borrow from the United Methodist
Foundation of Western North Carolina, Inc., a North Carolina non-profit lender, or from such other lender
as the Board of Trustees of the Church may determine, up to the sum of \$_____,
secured by a lien against the real property described on Exhibit "A" attached hereto, for the purpose of

BE IT FURTHER RESOLVED that the officers of the Board of Trustees are authorized to
negotiate the terms and conditions of such loan and mortgage on behalf of the Church; that any two officers
of the Board of Trustees are authorized and directed to take such actions and execute and deliver such
instruments or documents related to such loan and mortgages as they in their discretion deem necessary or
appropriate, including, but not limited to, the execution and delivery of one or more promissory notes, deeds
of trust, security agreements, financing statements, commitment letters, loan agreements; and that the actions
so taken and the instruments and documents so executed and delivered are hereby ratified and approved as
the binding act and deed of the Church;

BE IT FURTHER RESOLVED that any two officers of the Board of Trustees of the Church are
authorized to take such actions and execute and deliver such instruments and documents as they in their
discretion deem necessary or appropriate to renew, extend, rearrange, modify, amend or otherwise change the
terms of the loan or mortgage without further action of the Charge Conference, Administrative Board or
Board of Trustees of the Church, including, but not limited to, the execution and delivery of one of more
renewals, extensions, modification agreements, and new notes, deeds of trust and security agreements; and
that the actions so taken and the instruments and documents so executed and delivered are hereby ratified
and approved as the binding act and deed of the Church; and

BE IT FURTHER RESOLVED that the loan and mortgage and all actions taken or to be taken in
connection with the loan and mortgage by or on behalf of the Church have been, and hereby are, approved
and confirmed as required by The Book of Discipline of The United Methodist Church now in effect.

Name
Chairperson

Date

Name
Secretary

Date

SAMPLE SEVEN

**APPROVAL OF DETAILED PLANS AND SPECIFICATIONS, RELIABLE AND
DETAILED ESTIMATE OF COSTS, AND A PLAN FOR FINANCING
BY DISTRICT BOARD OF CHURCH LOCATION AND BUILDING**

Approval as required by the
2016 Book Of Discipline Of The United Methodist Church
(Paragraph 2544.8)

This is to certify that the District Board of Church Location and Building of the

_____ District, Western North Carolina Conference has
studied the detailed architectural plans and specifications, the detailed estimates
of cost, and the financial plan for the proposed _____

for the _____ United Methodist Church of _____ and hereby gives its
approval.

Date _____

Secretary _____

Date _____

District Superintendent _____

Appendix D



UMF Development Fund Loan Application

Please note the application must be completed in its entirety, including supporting documentation and any pertinent explanations of data, before it will be considered for processing.

Application Date: ____/____/____

Institution Name

Institution Corporate Name

Address

GCFA Number (if applicable)

City, State, Zip Code

Institution Phone Number

District

County

Pastor/President/CEO

Contact Name for Loan Purposes

Contact Phone Number

Contact Email

Please provide the following names:

Chairman, Board of Trustees

Secretary, Board of Trustees

Chairman, Finance Committee

Financial Secretary/Business Administrator

Treasurer

Two officers of the Trustees who will sign loan documents on behalf of the institution:

Trustee Representative One

Trustee Representative Two

Is your institution new; i.e. new church start? _____ Yes _____ No

Are you working with the Office of Church Development? _____ Yes _____ No

Are you working with Wesley Community Development? _____ Yes _____ No

Is your institution Chartered? _____ Yes _____ No
If yes, year chartered: _____

Is your institution incorporated? _____ Yes _____ No

Is your institution invested in the UMF Development Fund of the United Methodist Foundation of WNC? _____ Yes _____ No
If yes, how much? \$ _____
If no, do you plan to invest in it? _____ Yes _____ No

Please tell us about your connectional commitment by providing us with your institution's apportionment history (if applicable) over the last five years. If less than 100% for any of the past five years, please submit an explanation on a separate sheet with the loan application.

	Year	Percentage Paid	Amount Paid
Current Year			
1st Previous Year			
2nd Previous Year			
3rd Previous Year			
4th Previous Year			

Are there any outstanding property insurance premiums? _____ Yes _____ No
If so, how much? \$ _____

Are there any outstanding health insurance premiums? _____ Yes _____ No
If so, how much? \$ _____

Are there any outstanding clergy pension contributions? _____ Yes _____ No
If so, how much? \$ _____

Are there any other outstanding unpaid accrued bills? _____ Yes _____ No
If so, how much? \$ _____

Please tell us about your scheduled services, attendance and financial stewardship:

Membership Information	Current Year 20_____	1st Previous Year - 20_____	2nd Previous Year - 20_____	3rd Previous Year - 20_____
Present Membership				
Total # of Families in Membership				
Average Worship Attendance				
Sunday School Enrollment				
Sunday School Attendance				
Average Weekly Offering	\$ _____	\$ _____	\$ _____	\$ _____
Average # of Giving Units				

10 Largest Givers Profile. Please list the total amount given by each of the 10 largest givers in the previous year:

1. \$ _____	2. \$ _____	3. \$ _____	4. \$ _____	5. \$ _____
6. \$ _____	7. \$ _____	8. \$ _____	9. \$ _____	10. \$ _____

How many worship services are held each Sunday? _____

When was the last time your membership roll was purged? _____

Please tell us about the age demographics of your membership and indicate % of membership represented by each range:

Profile of Age Groups	Current Year 20_____	1st Previous Year - 20_____	2nd Previous Year - 20_____	3rd Previous Year - 20_____
Under 18 years	%	%	%	%
Ages 18 - 29 years	%	%	%	%
Ages 30 - 44 years	%	%	%	%
Ages 45 - 59 years	%	%	%	%
Ages 60 - 74 years	%	%	%	%
Ages 75+ years	%	%	%	%

Is there anything unique or of note about your church, and/or your membership that you would like us to know and take into consideration? _____

Please tell us about your church property:

Building/Facility	Yes/No	Age	Capacity	Sq Footage	Exterior*
Sanctuary					
Auditorium					
Fellowship Hall					
Education Building					
Day Care					
Parsonage(s)					
Other					

**Type of exterior = wood, brick, metal, stone, vinyl, etc.*

Please tell us about your financing needs/request:

What is the loan amount you are requesting? \$ _____

What is this loan amount based on?

_____ Property purchase price (please include contract with agreed-upon selling price)

_____ Actual new construction quotes (please include quotes)

_____ Actual renovation/capital improvement quotes (please include quotes)

_____ Loan refinance (please include payoff statement from current lender)

_____ Combination of above factors (with all requisite quotes and paperwork)

What is the amortization period you are requesting? _____ 15 years _____ 20 years*

**20 year amortizations are discouraged and will be considered only in rare situations.*

The Foundation will take first lien on the property. The tax valuation of the property is currently \$_____, as of ____/____/20____. (The loan to value ratio can be no more than 80%.)

Is there any other collateral for this loan? _____ Yes _____ No

If yes, please describe: _____

What date do you anticipate needing the money? ____/____/20____

Please tell us about the resources you have for the project:

Cash on hand (that is dedicated to the project): \$ _____

Donations from District or Conference (anticipated): \$ _____

Church Development Grants (anticipated): \$ _____

Amount already paid on project: \$ _____

Other (detail on separate sheet of paper): \$ _____

Total Capital Campaign Pledges/Receipts: \$ _____

Total anticipated resources: \$ _____

Please include the following financial information as attachments:

1. Financial Statements for the past two years (required) or past three years (preferable)
 1. Balance Sheet (year to date)
 2. Income and Expense Statement (year to date)
 3. Year-End Financial Statements for each of the previous two/three years
2. If the loan is to refinance an existing loan, please include 12 months of payment history from your current lender.

Do you plan to conduct a Capital Campaign to help pay for this project? ____ Yes ____ No

If yes, please tell us about it:

1. ____ A Capital Campaign **has been conducted** and pledges were secured for a total of \$_____, payable during the time period, ____/____/20____ - ____/____/20____.
2. ____ A Capital Campaign **will be conducted** and pledges will be secured for a total of \$_____, payable during the time period, ____/____/20____ - ____/____/20____.

NOTE: The amount of pledges should equal the total of at least two years of the loan amortization.

As of ____/____/20____, the total amount received on these pledges was \$_____.

Will a second Capital Campaign be held to secure pledges for debt retirement? ____ Yes ____ No

If yes, what is the anticipated date? ____/____/20____ - ____/____/20____

Do you have existing mortgage loans? _____ Yes _____ No

If yes, please tell us about it/them:

First Mortgage:

Name of Lender: _____ Loan Officer: _____

Address: _____
Street City State Zip

Account/Loan #: _____ Loan Origination Date: ____/____/____ Interest Rate: ____%

Original Loan Amt: \$_____ Current Balance: \$_____

Monthly Payment: \$_____ Amortization Period: _____ years

Physical Property Address: _____
Street City State Zip

Legal Property Description: _____

Second Mortgage:

Name of Lender: _____ Loan Officer: _____

Address: _____
Street City State Zip

Account/Loan #: _____ Loan Origination Date: ____/____/____ Interest Rate: ____%

Original Loan Amt: \$_____ Current Balance: \$_____

Monthly Payment: \$_____ Amortization Period: _____ years

Physical Property Address: _____
Street City State Zip

Legal Property Description: _____

Other Debt:

Does your institution have any additional debt (e.g. other mortgage loans, credit lines, unsecured notes, etc.)?

_____ No _____ Yes: If yes, please attach details on a separate sheet.

Authorizing Resolution (if applicable)

This certifies that the Charge Conference (or Church Conference) of the _____
United Methodist Church, of the _____ District, on the _____ day
of _____, 20_____, adopted the following RESOLUTION:

BE IT RESOLVED that the Trustees, or proper officials of the _____
United Methodist Church, of the _____ District are hereby authorized
to borrow money from the United Methodist Foundation of Western North Carolina, Inc.,
not to exceed the amount of \$_____, and an amortization period
not to exceed _____ years.

Date: _____ Signed: _____
Charge/Church Conference Secretary

Type or Print Name

Recommendation of the District Board or if not applicable, the signature of the District Superintendent

At a meeting of the District Board of the _____ District, held on the
_____ day of _____, 20_____, it was recommended that a loan application of
\$_____ be approved.

Date: _____ Signed: _____
President of District Board

Type or Print Name

Date: _____ Signed: _____
Secretary of District Board

Type or Print Name

The recommendation of the District Board is not necessary/applicable.

Date: _____ Signed: _____
District Superintendent

Type or Print Name

Consent of the District Superintendent and Pastor

The undersigned individuals, as District Superintendent of the _____ District
in which _____ United Methodist Church of _____
and as Pastor appointed to said church, certify that we have examined the forgoing application and,
pursuant to Paragraphs 2540 and 2541 of the *Book of Discipline* of The United Methodist Church and
consent and recommend that a loan of \$_____ with an amortization
period not to exceed _____ years be granted.

Date: _____ Signed: _____
District Superintendent

Type or Print Name

Date: _____ Signed: _____
Pastor

Type or Print Name

Attorney who will represent the church in this loan

Name of attorney (print or type), and Name of Law Firm

Address: _____
Street City State Zip

Phone Number: (_____) _____ - _____ Fax Number: (_____) _____ - _____

Email Address: _____

Checklist that you have included all of the following information:

Please note that failure to include the following information as a completed loan application packet will disable us to process your application and result in your application being returned for completion.

1. _____ Two (or three) years of Financial Statements (in a bank-approved software format such as Quicken, QuickBooks, Automated Church Systems, etc.):
 - a. Balance Sheet (year-to-date)
 - b. Profit and Loss Statement (Income and Expense Statement; year-to-date)
 - c. Year-End Budget Reports
2. _____ Detailed description of the project, and ministries served by the project.
3. _____ Financial/cost breakdown of the project (as detailed as possible) with any projected savings (utility costs for upgraded HVAC, for example) .
4. _____ Current valuation of property from County Tax Website.
5. _____ Signed Certification of Understanding and Agreement, located on the last page of the Foundation's loan policies.
6. _____ Information relative to any outstanding debt, secured or unsecured, that your institution may have.
7. _____ If apportionment history is less than 100% for the past five years, please attach a letter explaining the reason, and the plans/steps to get back to 100%.
8. _____ Please provide a letter about the church, sharing the following:
 - a. What community ministries does the church sponsor/support?
 - b. What community programs are housed in the church facility and whom do they serve?
 - c. What percentage of church income is spent on mission projects, and describe those.
9. _____ Any other information you would like the Foundation Loan Team to know when considering your application.



Loan Policy: Guidelines and Procedures

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 Team of the UMF establishes maximum loan amounts, interest rates, and terms periodically. They are subject to change and Applicants are encouraged to check with the staff and/or the UMF website (www.umfwnc.org) for current loan limits and rates.

Projects for Which Loan Funds are Available

1. New congregation's first building/facility
2. Expansion of facilities on existing site
3. Major improvement and/or replacement of existing facilities
4. Site purchases
5. Refinancing of existing loan with banks or other lenders
6. Projects with a cost exceeding \$100,000

Projects for Which Loan Funds are NOT Available

Projects for which loan funds are not available include aesthetic and/or nonessential projects:

1. Organs
2. Bell Towers
3. Stained glass windows
4. Interior design/decorating
5. Facades
6. Landscaping
7. Projects that are estimated to cost less than \$100,000

Funding for these projects CAN be included in as part of a larger overall requested loan amount, if a minimum equity percentage of 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 2.0% above the current rate paid by the UMF on its Participation Accounts in the Development Fund.
- C. Because the UMF has finite funding resources and wishes to provide those resources to as many United Methodist related institutions 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 payment of the Commitment Fee. Additionally, if borrower fails to comply with the forgoing Time Requirements, any remaining balance not drawn by the borrower shall then be advanced to the borrower and the borrower shall begin thirty (30) days thereafter making its payments of principal and interest.
- D. Loans are considered on a first come, first serve basis, as evidenced by a received-date stamped on the application (if physically mailed) or received in email inbox (if sent electronically). Priority will be given to Western North Carolina Conference institutions.
- E. Loans SHALL NOT BE MADE that will have the effect of establishing a line of credit. When an advance is made on a loan or when the current balance is being re-amortized, the amortization period cannot extend beyond the original (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; ministries served.
 - b. The consent and signatures of required authorities.
 - c. Two (or three) years of required financial statements.
 - d. When appropriate, the results of a capital funds drive, showing the receipt of pledges equal to 100% of the mortgage payments for the first two years.
 - e. Documentation showing the loan to value will not exceed 80%.
 - f. Documentation showing the total debt service of the institution will not exceed 35% of the total annual income of the institution (including building fund receipts).
- B. An authorized representative of the UMF will visit the project and meet with appropriate project officials to discuss the feasibility of the project, as well as to assess the ability of the institution to repay the full loan amount. This information will be included in the Loan Summary to the UMF Loan Team.
- C. The borrowing institution shall submit updated financial information if the formal loan application was completed more than 90 days prior to its date of consideration.

Closing Conditions

- A. All loans shall be secured by a first mortgage on the appropriate property. If a cemetery is adjacent to the property, it must be subdivided and not included with this mortgage.
- 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 documents as deemed necessary by the counsel for the UMF.
- C. Documentation that a minimum of 20% of the cost of the project is on hand or has been expended on the project. In a land purchase situation, the 20% shall represent a portion of the down payment.
- D. All closing costs are the borrower'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 one 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 appropriate state (North Carolina or South 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 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 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 15th of the month. Monthly mortgage payments via electronic ACH are available and encouraged. These payments are processed on the 10th of each 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 or his/her designee 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 and/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 appropriate institutional official(s) and with other appropriate institution, district and/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 after steps a – c above have been performed.

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 Development Fund,
- 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 represent 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.

Certification of Understanding and Agreement to UMF Loan Conditions and Policies

We certify that we have read and understood the UMF Loan Conditions and Policies. We agree to be governed by them in the administration of a loan.

Chairperson, Board of Trustees _____

Chairperson, Finance Committee _____

Treasurer _____

Chairperson, Building Committee _____

Senior Pastor/President/CEO _____

Name of Institution _____

Area Code & Telephone Number _____

Fax Number _____