

INTEREST RATE POLICY

Approved by Investment Fund Committee January 30, 2014

Each year the Investment Fund Committee sets the base interest rate for the following calendar year. The rate a borrower will pay may be greater than the base rate, depending on the ratio of loan to value, the financial strength of the borrower, and whether or not the purpose is to improve church plants.

The following rules determine the rate:

Loans for church plants: worship buildings and related structures, such as parish halls:

- Ratio of loan amount to value/cost:
 - 80% or less No rate adjustment
 - 80% to 100% Plus 0.25%
- Cash flow:
 - Operating revenue covers operating expense for past three years and projected for the life of the loan. No rate adjustment
 - Operating revenue covers operating expense for only the immediate past year and projected for the life of the loan, and/or projected capital fund income is between 1.1 and 1.2 times total loan payments, including both principal and interest.
 Plus 0.50%
 - Projected capital fund income is at least 1.2 times total loan payments, including both principal and interest. No rate adjustment.
 - Operating revenue covers operating expense for none of the three past years , but the projection shows it does for the life of the loan, and/or projected capital fund income is between 1.0 and 1.1 times total loan payments, including both principal and interest. Plus 0.75%
- Examples:
 - The base rate for the year is 5.00%.
 - Church A has an 85% loan to value/cost. Add 0.25% to the loan rate, bringing the rate to 5.25%.
- If Church A also had capital fund pledge income of less than 1.1 times the projected loan payment, an additional 0.75% would be added to the loan rate, increasing the rate to 6.00%. This would be the maximum rate for a church plant.

Loans for other church properties, such as income property

- Ratio of loan amount to value/cost
 - Ratio of loan amount to value/cost:
 - 75% or less No rate adjustment
 - 75% to 100% Plus 0.75%
- Cash flow
 - Operating revenue covers operating expense for past three years, and projected operating income less operating expense plus any capital fund pledge income be at least 1.2 times total loan payments. No rate adjustment

- Operating revenue covers operating expense for past three years, and projected operating income less operating expense plus any capital fund pledge income be between 1.0 and 1.2 times total loan payments. Plus 1.25%
- Examples:
 - The base rate for the year is 5.00%.
 - Church B has a piece of income property and is requesting a loan with a loan to value/cost of 80%. An additional 0.75% would be added to the rate, bringing the rate to 5.75%.
 - If Church B also had net operating income plus any capital fund pledge income of 1.1 times the projected loan payment, an additional 1.25% would be added to the loan rate, increasing the rate to 7.00%. This would be the maximum rate for a loan for another church property.