

**POLICIES AND REGULATIONS
OF THE
CHURCH BUILDING LOAN PROGRAM**

Administered by

THE BAPTIST FOUNDATION OF OKLAHOMA

PURPOSE

The Church Building Loan Program of The Baptist Foundation of Oklahoma is a credit assistance program for the benefit of the members of The Baptist Foundation of Oklahoma. Members are defined as Baptist entities which are cooperating with the Baptist General Convention of the State of Oklahoma or a state Baptist convention with like beliefs and commitments as the Baptist General Convention of the State of Oklahoma. First mortgage loans are made to qualifying members for equity loans, building projects, acquisition of additional properties and buildings, and other church related purposes. As funds are available, consideration will be given to applications for refinancing qualifying member indebtedness or other member institutions building or property indebtedness as defined by this policy.

The funds that are loaned under this program are not the property of the Foundation, but are held in trust for the benefit of Baptist causes designated by the donors. The earnings and interest received from loans are distributed to the designated causes through the Church Building Loan Investment Fund.

The program is administered by the Foundation Loan Services Committee, composed of members of the Board of Directors of The Baptist Foundation of Oklahoma. In discharging its duties of approving loans to churches and other Baptist entities, the committee is guided by the following policies and regulations.

MINIMUM ELIGIBILITY FOR A LOAN APPLICATION

1. **DENOMINATIONAL LOYALTY.** Members applying for loans must be loyal to the denomination. Such loyalty shall be evidenced by fellowship and cooperation with the Baptist General Convention of Oklahoma or a state Baptist Convention with like beliefs and commitments as the Baptist General Convention of the State of Oklahoma, and by regular contributions to mission causes through the Cooperative Program.
2. **WRITTEN BUDGET.** Members applying for loans must have a written budget plan which is adopted at least annually by congregational action and must give evidence of a consistent pattern of church finance.
3. **LOCATION AND NEED.** Members applying for loans shall be located in communities which represent opportunities for building and maintaining a church. Members shall comply with city, county and state fire codes and building regulations.

4. **INCORPORATION.** Members applying for loans must be incorporated in the state in which the member is located.

INTEREST RATES AND METHOD FOR PAYMENT ON A LOAN

5. The Foundation Loan Services Committee of the Board of Directors establishes the interest rates as market conditions dictate. The interest rate charged to members shall be the rate in effect when the loan documents are executed. Members shall have the option of choosing one of three (3) adjustable rates of interest within a twenty (20) year amortization for the permanent financing portion of the loan.
6. The interest rate shall be fixed for one (1), three (3), or five (5) years, depending on the adjustable interest rate chosen by the church at the time of closing and the following conditions shall be in effect:

The **1 year adjustable interest rate** will be adjusted to the Foundation's annual adjustable interest rate on each anniversary date of the original loan agreement. The interest rate may not be raised or lowered over the life of the loan more than one and one-half (1½) percent (150 basis points) in any one year, or more than five (5) percent (500 basis points) above or below the interest rate effective at the beginning of the loan.

The **3 year adjustable interest rate** will be adjusted to the Foundation's three year adjustable interest rate on the third (3rd), sixth (6th), ninth (9th), twelfth (12th), fifteenth (15th), and eighteenth (18) year anniversary dates of the original loan agreement. The interest rate may not be raised or lowered over the life of the loan more than three (3) percent (300 basis points) at any three year adjustment time, or more than five (5) percent (500 basis points) above or below the interest rate effective at the beginning of the loan.

The **5 year adjustable interest rate** will be adjusted to the Foundation's five year adjustable interest rate on the fifth (5th), tenth (10th), and fifteenth (15th) year anniversary dates of the original loan agreement. The interest rate may not be raised or lowered over the life of the loan more than five (5) percent (500 basis points) above or below the interest rate effective at the beginning of the loan.

7. Loans with the 1, 3, 5, year adjustable interest rate will be amortized at the time of closing and again at the anniversary date of each 1, 3, or 5 year period respectively. Monthly installment payments shall include accrued interest on the unpaid principal balance and a monthly principal reduction to retire the loan within the remaining term of the loan.
8. No loan shall be made for more than twenty (20) years.
9. Prepayment of the principal may be made at any time without penalty.
10. Monthly loan installment payments shall be accomplished by automatic bank draft by The Baptist Foundation of Oklahoma on the member's account on the first (1st) or fifteenth (15th) day of each month or the first business day thereafter.
11. If payment is not received on the due date, accrued interest on the unpaid balance shall be included in the amount required to bring the loan current.

12. In the event a member ceases to cooperate with the Baptist General Convention of Oklahoma, or the state Baptist Convention in the state in which the member is located, as described under DENOMINATIONAL LOYALTY, **the remaining indebtedness shall become due and payable on call.**

APPLICATION PROCESS FOR A LOAN

13. All applications for loans shall be made on forms provided by the Foundation.
14. Information submitted by the member on the application forms must be current and complete.
15. When applications have been received and evaluated, a representative of the Foundation shall contact the member to arrange a meeting with the appropriate committees and/or with the church body, as required, at a regularly scheduled or called meeting of the congregation. The purpose of such meetings shall be to discuss the member's loan request, the proper legal action required by the member to make loans and to mortgage property, and the Foundation's purposes and obligations in the administration of the Church Building Loan Program.
16. A Baptist Foundation representative will, prior to the approval of any loan, inspect the real property and improvements that are to be used as collateral for the loan. The purpose of this inspection is to determine the possibility of contamination of the land or buildings by toxic or hazardous substances. **This inspection is not to be construed as approval by The Baptist Foundation of Oklahoma or that the premises are in compliance with laws, rules and regulations dealing with environmental matters.** If this inspection reveals the possibility of such contamination, the Baptist Foundation shall require that a professional environmental study be conducted at borrower's expense. If the professional environmental study reveals the presence of toxic or hazardous substances, the Baptist Foundation shall have the right to reject the loan request.
17. Final approval or denial of loan applications shall be made by the Foundation Loan Services Committee or by the Board of Directors of The Baptist Foundation of Oklahoma at any regular or special meeting.
18. A mortgage title insurance policy is required on loans in excess of \$50,000.00 on land used as collateral. A mortgage title report is required on loans up to \$50,000.00 on land used as collateral. The mortgage title insurance underwriter may require affidavits from builders and/or suppliers showing all construction debts and liens have been satisfied or paid from the loan proceeds.
19. When a loan has been approved, the member shall be provided a formal letter of approval by the Foundation specifying terms of the loan. On loans in excess of \$50,000.00 a mortgage title insurance policy commitment must be received before a closing date can be set. On loans up to \$50,000.00 a mortgage title report must be received before a closing date can be set. The loan closing must take place no more than six months from the date of the Foundation Loan Services Committee approval.
 - (1) A loan, not requiring interim financing, is closed when fees are paid, a mortgage title insurance policy commitment letter or mortgage title report is furnished to the Baptist Foundation and all loan documents are signed, and filed.

20. The total amount loaned to a single member shall not exceed \$4,500,000.00 unless approved by the Board of Directors. The Foundation may participate with other lenders in loans that exceed this limit.
21. The Baptist Foundation's representative will perform a market value analysis for property used as collateral.
22. No loan shall be made in excess of fifty (50) percent of the fair market value of the property offered as collateral. The value of new construction shall be included in the market value.
 - (1) Exception to policy #22 shall be made when the member is borrowing funds for purchase, construction or renovation of a parsonage. The member shall be allowed to borrow up to 75% of the current market value of the parsonage.
 - (2) A loan made to a Baptist associational entity or guaranteed by the Baptist General Convention of Oklahoma, may be approved up to 75% of the current market value of the property offered as security including the cost of new construction.
23. No loan shall be made where installment payments on indebtedness, including payments on the Foundation loan, exceeds twenty-five (25) percent of the average annual budget receipts for the past two (2) years. Members receiving loans from the Foundation must agree not to increase indebtedness beyond the twenty-five (25) percent debt limit without written permission from the Foundation Loan Services Committee. **Failure to secure such written permission may result in the loan becoming due and payable on call.**
 - (1) Exception to the "debt ratio" policy set forth in policy #23 may be made by the Foundation Loan Services Committee when a member has completed a pledge program that will raise cash, within a three (3) year period, toward payment of the project. In such cases a loan amount equal to a 25% debt service amount may be loaned to the member along with an additional amount of up to one-half (1/2) the total outstanding pledges.
 - (2) A member approved under this exception shall agree to pay all monies received for the payment of pledges directly to the Foundation as a principal reduction of the loan.
24. Church building loans shall be secured by a first mortgage on real estate owned by the member. Construction, renovation or purchase of a cabin on leased Southern Baptist campgrounds will require the main church property as collateral.
25. The Baptist Foundation shall fund an approved loan to a member purchasing land and/or buildings after all terms and provisions for purchase of the property have been fulfilled by both the member and the seller.
26. **Construction Financing.** When property market value is sufficient, a loan may be established before the project is begun and these funds may be used for construction. Upon completion of the project or up to 24 months, whichever is earlier, fully amortized payments shall begin with monthly principal and interest payments required. If present property market value is below policy guidelines, construction financing may be obtained from a local financial institution and the Foundation will give a commitment letter for long term financing when the project is complete.

- (1) The interest rate during the “Construction Phase” shall be at the 1 Year Adjustable Interest Rate and shall be fixed during the full term of the “Construction Phase”, not to exceed 24 months.
 - (2) This type of loan is closed when fees are paid, a mortgage title insurance policy commitment letter or mortgage title report is furnished to the Baptist Foundation and all loan documents are signed and filed for the full amount approved. Loan draws will be funded until the project is completed, not to exceed 24 months.
 - (3) Monthly interest only payments shall be required during the “Construction Phase.” The interest payments will be based on the daily accrued interest for the current principal balance.
27. There shall be a loan origination fee calculated on the loan amount committed to the borrower.
- (1) The origination fee shall be:

\$10,000 to \$300,000 – One percent (1%) (maximum, \$3,000)
\$300,001 to \$600,000 - \$3,000 plus one-half percent (½%) of amount over \$300,000
\$600,001 and up - \$4,500 plus one-fourth percent (¼%) of amount over \$600,000
- This fee shall be paid when the loan is closed.
28. A loan shall be closed only after final inspection is made and approved by a Baptist Foundation representative, title policy requirements are satisfied, and proof of insurance coverage is provided as outlined in paragraph 32.
29. The Foundation shall pay the mortgage tax. The member shall pay for the recording of the mortgage and other expenses involved in completing the transaction.
30. The abstract of the real estate offered by the member as security for the loan shall be stored off the borrower’s premises for safekeeping during the term of the loan.
31. Members shall maintain insurance on properties mortgaged to the Baptist Foundation. Coverage shall include fire and extended coverage (including flood insurance, if in flood zone) during the existence of the loan, for a sum equal to an amount necessary to protect the loan. The policy shall also contain a loss payable clause to The Baptist Foundation of Oklahoma. A certificate of insurance shall be provided to the Foundation at the time of loan closing and during the term of the loan.

FUTURE ADDITIONAL ADVANCE CLAUSE

32. The Future Additional Advance (“Advance”) clause would permit a church building loan customer (“borrower”), on written request and approval of The Baptist Foundation of Oklahoma (“Foundation”), to draw amounts or re-advance prepayments of principal. The prepayments that could be drawn upon would generally be limited to principal prepayments **in excess** of regularly scheduled payments of principal and interest. The Foundation would have sole discretion over approval of the Advance.

33. Following church approval, the borrower will submit a written request along with current financial information, stating the amount of the Advance. The amount of the Advance shall not exceed the amount of prepayment of principal and could, in some instances, be an amount less than the prepayment of principal.
34. The amount of the Advance would be subject to the applicable amortization schedule in effect at the point in time the request is made and approved. If the amount requested would jeopardize the remaining amortization of the loan based on the current monthly payment, the amount of the monthly payment would increase so as to fully amortize the loan for the remaining term of the loan. However, the increase in the monthly payment based on the Advance and the new principal balance of the loan shall not exceed the 25% debt service ratio of the borrower, based on current financial information of the borrower, as outlined in the Policies and Procedures of the Church Building Loan program.
35. There will be a fee of .25% for each Advance under the terms of this clause.
36. The approval of any Advance will be at the sole discretion of the Foundation, whether or not the borrower meets the conditions of the Future Additional Advance Clause.
37. **Exceptions** to the above stated policies must have the approval of The Baptist Foundation of Oklahoma Board of Directors.

PRIVACY STATEMENT

39. The Baptist Foundation of Oklahoma shall rely only upon written instructions signed by designated representatives of the Church in regard to any information pertaining to a pending church building loan application or an existing church building loan. Additionally, The Baptist Foundation of Oklahoma shall communicate by telephone, email or any other means of communication only with designated representatives of the Church in regards to a pending church building loan application or an existing church building loan.