Church Building Loans
Policies and Guidelines

THE BAPTIST FOUNDATION OF OKLAHOMA

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I. Purpose

The Baptist Foundation of Oklahoma ("Foundation") offers church building loans to Southern Baptist entities in Oklahoma and to other Southern Baptist entities with like beliefs and commitments as the Baptist General Convention of Oklahoma of the State of Oklahoma (collectively, "Church").

II. Scope

The Church Building Loans Policies and Guidelines governs the administration of the Church Building Loan program offered by the Foundation.

III. Responsibility

The Foundation Loan Services Committee ("Committee") is a standing committee of the Board of Directors ("Board") created to fulfill the responsibilities of the Board related to the Church Building Loan program. As a standing committee, they shall report to the Board and only discharge those responsibilities specifically assigned to them by the Foundation Loan Services Committee Charter.

The Committee acts as a fiduciary, and as such is responsible for directing, monitoring, and evaluating church building loans as defined within the scope of this policy.

IV. Guiding Principles

1. The Church Building Loan Program of the Foundation is a credit assistance program for the benefit of the members of the Foundation. Members are defined as Southern Baptist entities which are cooperating with the Baptist General Convention of the State of Oklahoma or a state Southern Baptist convention with like beliefs and commitments as the Baptist General Convention of the State of Oklahoma.
2. Loans are made to qualifying members for construction and permanent financing loans, acquisition of property and buildings, and other church related purposes.
3. The funds loaned under this program are not the property of the Foundation, but are funds held in trust for the benefit of Baptist and charitable causes designated by donors and by funds invested directly in the Church Building Loan Pool by member entities. The interest received from the Church Building Loan portfolio is distributed to charitable beneficiaries designated by donors and to the investors in the Church Building Loan Pool.
4. The program is administered by the committee, composed of members of the Board. In discharging its duties of approving loans to members, the committee is guided by the Church Building Loans Policies and Guidelines.

V. Policy Statements

1. **Minimum Eligibility.**
   1.1 Denominational Loyalty. Members applying for loans must be able to demonstrate to the satisfaction of the Foundation regular contributions to mission causes through the Cooperative Program. In the event a member ceases to cooperate with the Baptist General Convention of the State of Oklahoma, or a state Southern Baptist convention in the state in which the member is located, **the remaining indebtedness shall become due and payable on call.**

2. **Debt Service Ratio.**
   2.1 No loan shall be made where installment payments on indebtedness, including payments on a loan to the Foundation, exceeds twenty-five percent (25.00%) of the average annual budget receipts for the two (2) previous years. Members receiving loans from the Foundation shall agree to not increase indebtedness beyond the twenty-five (25.00%) debt ratio limit without prior written permission from the Foundation. **Failure to secure such written permission may result in the loan becoming due and payable on call.**
   2.2 **Exception to Debt Service Ratio.**
   Exception to the Debt Service Ratio requirement set forth above may be made when a member has completed a capital fund raising program that seeks to raise funds toward the overall cost of a project. In such cases, an amount equal to twenty-five percent (25.00%) debt service ratio may be loaned to the member, plus an amount equal to one-half (½) of the total outstanding amount pledged.
   2.3 Any loan request with a Debt Service Ratio in excess of twenty-seven and one half percent (27.50%) shall be approved by the Board of the Foundation.

3. **Loan to Value Ratio.**
   3.1 No loan shall be made where the loan amount exceeds fifty percent (50.00%) of the market value of the property and facilities offered as collateral. The value of new construction shall be included in the market value.
   3.2 **Exception to Loan to Value Ratio.**
   3.2.1 Exception to the Loan to Value Ratio requirement set forth above may be made when a member is borrowing funds for the purchase, construction, or renovation to a member owned parsonage. In such cases, an amount equal to seventy-five percent (75.00%) of market value may be loaned.
   3.2.2 Exception to the Loan to Value Ratio requirement set forth above may be made when a loan is made to the Baptist General Convention of the State of Oklahoma or a Southern Baptist associational entity or is guaranteed by the Baptist General Convention of the State of Oklahoma or a Southern Baptist associational entity. In such cases, an amount equal to seventy-five percent (75.00%) of market value may be loaned.
   3.2.3 Exception to the Loan to Value Ratio requirement set forth above may be made when, at the discretion of the Foundation, the loan has no form of collateral and is made on an unsecured basis on loans of $50,000.00 or less.
   3.3 Any loan request with a Loan to Value Ratio in excess of fifty-five (55.00%) shall be approved by the Board of the Foundation.

4. **Collateral.**
   4.1 Church building loans shall be secured by a first mortgage on real property owned by the member. Construction, renovation, or purchase of a cabin on leased Southern Baptist campgrounds will require the main property and facilities of the member as collateral.

4.1.1 Exception to the collateral requirement set forth above may be made when, at the discretion of the Foundation, the loan has no form of collateral and is made on an unsecured basis on loans of $50,000.00 or less.

4.2 The 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 seller and buyer.

5. **Lending Limit.**

5.1 No single loan or combination of loans shall be made where the total amount loaned to a member exceeds Four Million Five Hundred Thousand ($4,500,000.00) Dollars.

5.2 Any single loan or combination of loans made to a member in excess of Four Million Nine Hundred Fifty Thousand ($4,950,000.00) Dollars shall be approved by the Board of the Foundation.

5.3 The lending limit for loans with no form of collateral and made on an unsecured basis shall not exceed $50,000.00. A member requesting a loan made on an unsecured basis cannot exceed total indebtedness of $50,000.00.

5.4 The Foundation may participate with other lenders in loans made by the Foundation.

6. **Approval of Loan Requests.**

6.1 Final approval or denial of loan requests shall be made at a regular or special meeting of the Committee and/or the Board of the Foundation.

7. **Exceptions.**

7.1 Exceptions to the above stated policies shall require the approval of the Board of the Foundation.

VI. Guidelines

The Guidelines contained in this Policy and Guidelines are intended to be a guide to all parties involved. Changes to these Guidelines shall be recommended by the Committee to the Board for approval.

Deviations from these Guidelines may occur from time to time. Such deviations are not considered violations of this Policy and Guidelines. All deviations shall be brought to the attention of the Committee for consideration in advance, if possible. Otherwise, the Committee shall be advised of the deviation at the next scheduled meeting.

1. **Administrative Guidelines.**

1.1 **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 financial operations. Exceptions may be made on loan requests of less than Seventy-five Thousand ($75,000.00) Dollars.

1.2 **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.

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

2. **Application Process.**

2.1 All applications for loans shall be made on forms provided by the Foundation.

2.2 Information submitted by the member on the application forms must be current and complete.

2.3 When applications have been received and evaluated, a representative of the Foundation shall arrange a meeting with the member. The purpose of such meetings shall be to discuss the loan request, actions required to process the loan and mortgage property, and the Foundation's purposes and obligations in the administration of the Church Building Loan program.

2.4 A Baptist Foundation representative will, prior to the approval of any loan request, inspect the real property and improvements that are to be used as collateral for the loan.

2.4.1 Exception to the inspection of real property and improvements requirement set forth above may be made when, at the discretion of the Foundation, the loan has no form of collateral and is made on an unsecured basis.

2.5 A Foundation representative will perform a market value analysis on real property pledged as collateral for a loan.

2.5.1 Exception to the market analysis requirement set forth above may be made when, at the discretion of the Foundation, the loan has no form of collateral and is made on an unsecured basis.

3. **Interest Rates.**

3.1 The Committee shall establish interest rates as market conditions dictate. The interest rate charged to members shall be the rate in effect when the loan documents are executed.

3.2 Members shall have the option of choosing from the currently available adjustable rates of interest:

3.2.1 **1 Year Adjustable Interest Rate:** This interest rate will be adjusted to the Foundation's 1 Year Adjustable Interest Rate on each anniversary date of the original promissory note. The interest rate may not be increased or decreased more than one and one-half (1½) percent (150 basis points) per adjustment or more than five (5) percent (500 basis points) over the duration of the loan.

3.2.2 **3 Year Adjustable Interest Rate:** This interest rate will be adjusted to the Foundation's 3 Year Adjustable Interest Rate on each third (3rd) year anniversary date of the original promissory note. The interest rate may not be increased or decreased more than three (3) percent (300 basis points) per adjustment or more than five (5) percent (500 basis points) over the duration of the loan.

3.2.3 **5 Year Adjustable Interest Rate:** This interest rate will be adjusted to the Foundation's 5 Year Adjustable Interest Rate on each fifth (5th) year anniversary date of the original promissory note. The interest rate may not be increased or decreased more than five (5) percent (500 basis points) per adjustment over the duration of the loan.

3.2.4 **7 Year Adjustable Interest Rate:** This interest rate will be adjusted to the Foundation's 7 Year Adjustable Interest Rate on each seventh (7th) year anniversary date of the original promissory note. The interest rate may not be increased or decreased more than five (5) percent (500 basis points) per adjustment over the duration of the loan.

3.2.5 **10 Year Adjustable Interest Rate:** This interest rate will be adjusted to the Foundation's 10 Year Adjustable Interest Rate on each tenth (10th) year anniversary date of the original promissory note. The interest rate may not be increased or decreased more than five (5) percent (500 basis points) per adjustment over the duration of the loan. The 10 Year Adjustable Interest Rate is not available for loans with no form of collateral and made on an unsecured basis.

3.3 The interest rate shall be fixed for the adjustable rate period chosen by the member at the time of closing.

3.4 Loans will be amortized at the time of closing and again at the date of each adjustable interest rate period chosen by the member. Monthly installment payments shall include accrued interest on the unpaid principal balance and a monthly principal reduction necessary to retire the loan within the remaining term of the loan.

4. **Method of Payment.**

4.1 The Permanent Financing Phase shall not exceed twenty (20) years.

4.2 Prepayment of the principal may be made at any time without penalty.

4.3 Monthly loan payments may be accomplished by automatic bank draft by the Foundation on the member's account on the first (1st) or fifteenth (15th) day of each month or the first business day thereafter.

4.4 A borrower requesting the deferment of monthly payments of principal and interest during the Permanent Financing Phase or interest only payments during the Construction Phase of any loan shall be considered by the Committee.

5. **Mortgage Title Insurance.**

5.1 A mortgage title insurance policy from a mortgage title insurance underwriter shall be required on loans in excess of $50,000.00 on real property used as collateral. A mortgage title insurance commitment must be received and all requirements, if any, satisfied before loan documents can be executed.

5.2 A mortgage title report from a mortgage title insurance underwriter shall be required on loans up to and including $50,000.00 on real property used as collateral. A mortgage title report must be received and all requirements, if any, satisfied before loan documents can be executed.

6. **Types of Loans.**

6.1 **Construction Financing.** When property market value is sufficient, a loan may be established before the project is begun and the loan funds 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.

6.1.1 The interest rate charged 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. A Construction Phase exceeding 24 months shall require approval of the Foundation Loan Services Committee and the interest rate will be adjusted to the current 1 Year Adjustable Rate of Interest.

6.1.2 Monthly interest only payments shall be required during the Construction Phase. The interest payments will be the accrued interest based on the daily principal balance during the month

6.1.3 At the conclusion of the Construction Phase, the outstanding principal balance will be automatically converted to the Permanent Financing Phase at the adjustable interest rate previously chosen by the member.

6.2 **Amortizing Loans.** The Foundation will make fully amortizing loans for acquisition of additional property and buildings and other church related purposes. These loans will be amortized for up to twenty (20) years and will be structured under one of the currently available adjustable interest rates as chosen by the member.

6.3 **Unsecured Loans.** Loans of $50,000.00 or less with no form of collateral may be made to members under the following guidelines:

6.3.1 Loans may be made used to fund any church related project.

6.3.2 Loans made on an unsecured basis shall have a term not to exceed seven (7) years and will be based on a seven (7) year amortization.

6.3.3 Borrower shall choose between one of four interest rate options: 1 Year Adjustable Rate, 3 Year Adjustable Rate, 5 Year Adjustable Rate, or 7 Year Adjustable rate based on a seven (7) year amortization.

6.3.4 The decision to approve loans on an unsecured basis is at the sole discretion of the Foundation.

7. **Insurance.**

7.1 Members shall maintain full coverage insurance on properties held as collateral on loans with the Foundation. Coverage shall include fire and extended coverage (including flood insurance, if property is located in a recognized flood plain) during the full term of the loan, in an amount necessary to protect the loan. The policy shall list the Foundation as loss payee. Proof of insurance shall be required prior to closing and throughout the term of the loan.

8. **Future Advance Clause**

8.1 The Future Additional Advance ("Advance") clause permits a borrower, on written request and approval of the 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.

8.2 Following church approval, the borrower shall 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.

8.3 The amount of the Advance would be subject to the applicable amortization schedule in effect at the time the request is made and approved by the Foundation. If an 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 V. Policy Statements; 2. Debt Service Ratio; 2.1 of the Church Building Loan Policies and Guidelines in effect at the time of the Advance.

8.4 There shall be a fee of .25% of the amount of the Advance for each Advance made under the terms of this clause.

8.5 The approval of any Advance will be at the sole discretion of the Foundation, whether or not the borrower meets the condition of the Future Advance Clause.

9. **Loans Secured by The Baptist Foundation of Oklahoma CBL Term Investment Deposit Accounts.**

9.1 Members who have existing CBL Term Investment deposit accounts ("Term Investments") or agree to establish Term Investments with the Foundation may, under certain circumstances, pledge Term Investments as collateral on a loan with the Foundation by giving the Foundation the Right-of-Offset against such Term Investments for amounts owed to the Foundation by the member.

9.2 Members agree that pledging Term Investments as collateral on a loan with the Foundation through the Right-of-Offset will result in the member not having access to all or a portion of the Term Investments which may be needed to cover the outstanding principal balance plus accrued interest.

9.3 Members agree to grant the Foundation the Right-of-Offset against Term Investments pledged as collateral on a loan with the Foundation. This grants the

Foundation the right, in the event the Foundation declares the loan to be in default and notifies the member in writing of the default, to offset Term Investments pledged as collateral to pay off all indebtedness of the member, to include all unpaid principal and accrued interest.

9.4 Members agree to pay an interest rate on a loan secured by the member's Term Investments of 2.00% above the rate being paid on the member's Term Investments. In those instances that multiple Term Investments are used as collateral to secure a loan, member agrees to pay an interest rate on the loan of 2.00% above the highest rate of the Term Investments being pledged as collateral to secure the loan. Term Investments pledged as collateral on a loan with the Foundation will continue to accrue interest at the stated interest rate of the Term Investments.

10. **Fee Schedule.** Fees are charged by the Foundation to cover its administrative and overhead costs.

10.1 Origination Fee. Member shall be responsible for paying an origination fee. The origination fee shall be based on the loan amount at origination as follows:

10.1.1 $10,000 up to and including $300,000 – One percent (1%), maximum of $3,000

10.1.2 $300,001 up to and including $600,000 – $3,000 plus one-half percent (½ %) of amount over $300,000

10.1.3 $600,001 and over – $4,500 plus one-quarter (¼ %) of amount over $600,000

10.2 Mortgage Filing Fee (If applicable). Member shall be responsible for paying the fee to file the mortgage and any other documents necessary to perfect the Foundation's priority lien on the real property being used as collateral.

10.3 Mortgage Title Insurance/Mortgage Title Report (If applicable). Member shall be responsible for paying the costs associated with providing the Foundation with a clear and marketable title to the real property being used as collateral.

10.4 Loan Document Fee. Member shall be responsible for paying a loan document fee.

10.5 Other Associated Costs. Member shall be responsible for any other costs associated with completing the transaction.

10.6 All fees will be collected when the loan is closed.

11. **Reserve for Loan Loss.** Understanding that the church building loan portfolio is not a risk free investment for the Foundation, a Reserve for Loan Loss (RLL) is established to prevent significant charges to operating income as a result of any losses sustained from loan defaults.

11.1 The RLL shall be targeted at 2.00% of a four month rolling average of the church building loan portfolio (total CBL portfolio less non-guaranteed participations held by others, less guaranteed participations held by the Foundation, less specifically identified substandard, doubtful, or loss loans) with a ceiling of 2.25% and a floor of 1.75%.

11.2 The RLL shall be funded from current income from the church building loan portfolio on a monthly basis, as necessary.

11.3 It is at the discretion of the Senior Vice President/Chief Lending Officer, in consultation with the Vice President/Controller, to make whatever adjustments are deemed necessary to bring the balance back within the ceiling of 2.25% or the floor of 1.75%, 0.02% of the current CBL portfolio in any one month.

11.4 Any time the RLL exceeds the ceiling of 2.25% or falls below the floor of 1.75%, the exception shall be reported to the Committee at the next regularly scheduled meeting.

11.5 The Committee shall approve any special allocation of the RLL to specifically identified substandard, doubtful, or loss loans.

11.6 The Committee shall approve any charges to the RLL due to loan write-offs. Charges to the RLL shall be approved by the Board.

12. **Miscellaneous.**
   12.1 A loan shall be scheduled for closing only after final inspection is made and approved by a Baptist Foundation representative, title policy/title report requirements are satisfied, and proof of insurance coverage is provided.
   12.2 The Foundation will pay the cost of mortgage tax associated with the transaction.
   12.3 The abstract of the real property being used as collateral shall be stored off the member's premises for safekeeping during the term of the loan. The cost of rebuilding a lost abstract will be the responsibility of the member.

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

VII. Adopted / Revised

Version #	1
Date of Revision:	October 28, 2016
Authors:	Jerry Vaughan
Revisionary Synopsis:	Reinstatement of 7 Year and 10 Year Adjustable Rates and revision of format and general updating of language. Revision of guideline language. Addition of a loan document fee to Fee Schedule.
Date of Review	January 24, 2017
Reviewed by:	Jerry Vaughan
Revisionary Synopsis:	No changes needed
Version #	2
Date of Revision:	July 28, 2017
Authors:	Jerry Vaughan
Reversionary Synopsis:	Revision of Policies and Guidelines to add unsecured loans as an additional loan option.