FLORIDA UNITED METHODIST foundation

LOAN POLICIES OF THE FUMF INC. DEVELOPMENT FUND

PREAMBLE

The Florida United Methodist Foundation Development Fund (the "Fund") is a savings and loan fund that is composed of pooled investor funds and held, managed and administered by The Florida United Methodist Foundation, Inc. (the "Foundation").

PURPOSE

The primary purpose of the Fund is to provide the Foundation with a source of monies, which have been invested in the Fund by Florida residents, United Methodist churches, agencies, districts and the annual conference, that can be used by it to make low-interest, first-priority mortgage loans to the churches and affiliated agencies of The Florida Conference of The United Methodist Church (the "Conference"). The Fund exists because United Methodists, and others in Florida, are willing to invest their money in it in order to participate in Foundation identified projects related to United Methodist churches beyond their own local churches, such as new building construction, site purchases, expansion and renovations. The Fund has become one of the finest examples of the connectional concept in United Methodism.

DEFINITIONS

Unless otherwise defined herein, the following terms shall have the meanings set forth below:

A. "Borrower" means a church that has delivered a loan application to the Foundation.

B. "Church" means a church that is located in the Conference and is officially recognized by as such.

C. "Directors" mean, at any time, the then duly elected and serving members of the board of directors of the Foundation.

D. "Loan" means a loan made by the Foundation to a borrower pursuant to these loan policies, the articles of incorporation of the Foundation and its bylaws.

E. "Loan Application" means a written application for a loan made by a borrower on such form as the Foundation may adopt from time to time.

F. "Loan Committee" means those directors who, from time to time, have been duly appointed by the chairperson of the board of directors of the Foundation to serve as members of its loan committee in accordance with these loan policies, the articles of incorporation of the Foundation and its bylaws.

G. "Loan Policies" mean those practices and policies set forth herein from time to time.

H. "President" means, at any time, the then duly elected and serving president of the Foundation.

GENERAL LOAN APPROVAL PRINCIPLES

The directors and the loan committee shall apply the following principles when reviewing loan applications:

A. A church must be in ministry to more than just those who are on the membership roll. That is, does the church extend its ministries into the neighborhood, the larger community, the district, the conference, the nation and the world? The answers to the following questions generally reveal the extent of a church's ministry. What community ministries does the church sponsor? What community programs are housed in the church facility and whom do they serve? What percentage of church income is spent on "mission" projects?

B. The church must be a connectional church, just as the Fund is connectional in its function. How committed is the church to the connectional church? How has it participated in connectional ministries and programs? What percentage of apportionments has the church paid for each of the past three years? What is its commitment to paying apportionments at the 100 percent level?

C. The church must be willing to share a portion of its assets with other United Methodist churches in the Florida Conference. Others have been willing to share their assets by investing them in the Fund to make loans available to churches and other agencies of the Florida Conference. Is this church willing to share some of its assets with other churches by also investing in the Fund? What has been the history of investment in the Fund by the church and its members seeking a loan? What will be the level of commitment to invest in the Fund now and in the future?

LOAN COMMITTEE

A. The loan committee shall consist of five individuals, of which three or more must be directors of the Foundation. The chairperson of the board of directors will designate the loan committee chairperson and any advisory members.

B. The loan committee shall, from time to time and as needed, review the loan policies. All recommendations of the loan committee as to suggested changes in the loan policies shall be presented to the directors for approval.

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LOAN CONDITIONS

A. The maximum principal amount of the aggregate of all loans to one borrower shall not exceed 5 percent of the then total amount of money invested in the Fund.

B. 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 Foundation is authorized to establish amortization schedules, which may contain balloon provisions.

C. The directors will set the variable interest rate applicable to loans on a quarterly basis. Under certain loan conditions, the Foundation may negotiate such interest rates with a borrower.

D. Because the Foundation has finite funding resources and wishes to provide those resources to as many churches as is reasonably possible, loans are to be made with the understanding that the borrower will draw the proceeds thereof promptly in the following manner. It is not acceptable for a borrower to use a loan, in whole or in part, or attempt to use a loan as a line of credit. In connection with its approval of a loan, the Foundation will charge the borrower thereunder a commitment fee equal to 1 percent of the principal amount of such loan (in each case a "Commitment Fee"). Each commitment fee shall be deemed fully earned by the Foundation upon the borrower's execution of the commitment letter applicable to its loan. The commitment fee shall be payable upon 10 days' written notice from the Fund to the borrower and may be drawn by the Fund at its option against any of the loan account not yet disbursed to the borrower. Notwithstanding the foregoing, if (i) the proceeds of a loan have been completely disbursed to the borrower by a date that is no later than 90 days following the date of the commitment letter applicable to such loan or (ii) the proceeds of a construction loan have been completely disbursed to the borrower on or before the end of the construction period described in the documents evidencing such loan (collectively the "Time Requirements"), then the Foundation may waive the borrower's requirement to pay the commitment fee to it. Additionally, if the borrower fails to comply with the foregoing time requirements, any remaining loan proceeds not drawn by the borrower shall be advanced to the borrower and the borrower shall begin 30 days thereafter making such payments as required under the promissory note evidencing such loan.

E. Loans will be considered on a first-come, first-served basis as evidenced by the date stamped on each duly completed loan application by the Foundation staff when received.

F. Loans shall not be made that will have the effect of creating a line of credit for any borrower.

G. Loans will not be approved for use in acquiring or renovating structures or improvements that are not permanently affixed to the ground or are inherently portable or re-locatable in nature. Any structure that would not be considered to be a permanent asset and add value to the real property on which it is located in a construction loan appraisal shall not be funded by a loan from the Foundation. This would include, but is not limited to, portable or re-locatable structures, fabric or membrane structures, tents, air-supported structures, tensioned structures, or other similar structures.

H. The Foundation may request that a "District" of the Conference, or the Conference itself, guarantee loans to support marginal local church situations or as deemed necessary, but only to the extent allowed by the District's or Conference's assets. Where appropriate, such guarantor will be asked to provide financial statements.

I. In the case of a loan in which the proceeds thereof are to be used in whole or in part for the construction of improvements to real property, the borrower shall provide at least 20 percent of the total projected as-built cost of such improvements in cash or other equity acceptable to the Foundation.

J. If the proceeds of a loan are to be used for the purchase of real property, then the borrower shall provide evidence, reasonably acceptable to the Foundation, of it having made a down payment in connection with such purchase or provide other equity acceptable to the Foundation that is equal to 20 percent of the purchase price thereof.

LOAN APPLICATION REQUIREMENTS

A. The loan application form and supporting materials shall be completed by the borrower and submitted to the Foundation's president, vice president of loans or the president's assignee before formal consideration thereof will be made. This includes:

   a. Project description and purpose;

   b. The consent of required authorities;

   c. A financial statement;

   d. When required, the results of a capital funds drive, showing the receipt of pledges in an amount equal to 100 percent of the mortgage payments for the first two years;

   e. A statement documenting that the total debt service of the borrower will not exceed 35 percent of its total annual income (including building fund receipts); and

   f. If a construction loan, the two types of contractual arrangements (as described in Loan Disbursement Conditions) it will have with its general contractor. The contractual arrangement chosen is not subject to reconsideration by the borrower once the loan is committed.

B. If the cost of the project exceeds $50,000, a report shall be submitted to the Foundation's loan committee by the Foundation's vice president of loans or another authorized representative of the Foundation who has visited the project and met with appropriate project officials to discuss the feasibility of the project and the ability of the borrower to repay the full loan amount.

C. The borrower shall submit updated financial information if the formal loan application was completed more than 90 days prior to the date of its consideration by the Foundation.

APPROVAL PROCESS

A. The president, with the recommendation of the vice president of loans, will be authorized to approve all loans of up to **$500,000**.

B. The loan committee will be authorized to approve all loans of between **$500,000** and **$3 million** using a majority vote and with the recommendation of the president and the vice president of loans.

C. All loans greater than **$3 million** will be reviewed by the loan committee and must be approved by a majority of the board of directors.

CLOSING CONDITIONS

A. All loans, unless approved by the Foundation otherwise, shall be secured by a first mortgage on the borrower's property.

B. Documents evidencing a loan that has been approved by the Foundation and which shall be executed and delivered by the borrower and/or other loan parties to the Foundation shall consist of:

   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 Foundation;

   c. An acceptable Mortgagee's Title Policy from a title company selected by the Foundation and showing the Foundation as the holder of a duly insured first priority mortgage lien on the real property encumbered as collateral for such loan;

   d. A duly executed Notice of Commencement recorded after the mortgage;

   e. The results of an environmental audit conducted by a firm acceptable to the Fund if the loan is being used to purchase land; and

   f. Other such documents as shall be deemed necessary by counsel for the Foundation.

C. Documentation that a minimum of 10 percent of the cost of the project is on hand or has been expended on the project. In a land purchase situation, the 10 percent shall represent a portion of the down payment.

D. Closing costs are the mortgagor's responsibility.

LOAN DISBURSEMENT CONDITIONS

A. If the loan proceeds are to be disbursed as a construction loan, the church, with the approval of the Fund, shall enter into a construction loan agreement that shall meet one of the following contractual arrangements:

   a. **Stipulated Sum Basis with 100 Percent Performance Bond and 100 Percent Labor and Material Payment Bond**: All projects of $1 million or greater, unless approved otherwise, must be completed on a Stipulated Sum Basis with 100 Percent Performance Bond and 100 Percent Labor and Material Payment Bond. The church shall have an agreement with a general contractor to construct the facility and provide a bond in the amount of the contract with the general contractor. The form of agreement between the church and the contractor shall be one that is of an acceptable nature to the unit and the Fund. Bonds shall be provided by sureties licensed in the state of Florida having a minimum rating of B + VI, as rated by "Best's Key Rating Guide," current edition. Said bonds shall contain a Dual Obligee Rider naming the Foundation as an obligee, and said bonds and rider shall be in such form as the Foundation shall require. At the discretion of the Foundation's executive committee, this condition can be required for loans less than $1 million.

   The Fund shall disburse the loan proceeds after effectuation of the following:

      i. The church has submitted documentation that all funds on hand for the project have been applied by the church, except for those funds representing a 5 percent to 10 percent contingency reserve;

      ii. Upon receipt of a copy of the 100 Percent Performance Bond and the 100 Percent Labor and Material Payment Bond;

      iii. Upon the appropriate request for funds by the proper church official, the architect and the contractor;

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iv. Upon receipt of evidence that a copy of the Payment and Performance Bonds were recorded with the Notice of Commencement; and

v. Upon receipt of waivers of liens for all previous payments.

b. **Construction Management Basis without Performance Bond and Labor and Material Payment Bond on the General Contractor**: The church shall have an agreement with a general contractor who will manage the construction, rather than perform it, without the requirements of a bond. However, the loan is contingent upon approval by the Fund of the financial stability and creditworthiness of the general contractor and the other trades involved in the project. The church shall provide the Fund with such financial and other information regarding the contractor and other trades, as the Fund shall require.

The Fund shall disburse the loan proceeds after effectuation of the following:

i. After the church has submitted documentation that all funds on hand for the project have been applied by the unit, except those funds representing a 5 percent to 10 percent contingency reserve;

ii. Upon receipt of the financial data requested by the Fund;

iii. Upon the appropriate request for funds by the proper church official, the architect and the contractor; and

iv. Upon receipt of waivers of liens for all previous payments.

c. 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 church and the Fund.

LOAN REPAYMENT CONDITIONS

A. The amount of the monthly loan payment will be determined initially by using the interest rate in effect at the time the loan was approved and the amortization period approved by the directors. If the loan interest rate adjusts upward by 100 basis points or more from the original interest rate or from the interest rate in effect at the time of the last monthly loan payment adjustment, the Foundation reserves the right to adjust the monthly payment amount to reflect the current interest rate. The original amortization period will not adjust.

B. At the discretion of the Foundation, 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 also encouraged to make principal payments, in addition to 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 first 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. 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 also 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 first 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.

D. No prepayment penalties shall be applied; however, additional payments on principal shall be made only at the time of the regular monthly payment.

E. At the discretion of the Foundation, a late fee of 5 percent of the monthly payment will be charged on loan payments received after the 10th of the month.

a. Upon a loan becoming 30 days in arrears following the grace period, the loan shall be considered in default. The president or vice president of loans shall contact the appropriate church 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 or vice president of loans shall contact the appropriate church official and other appropriate district 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 or vice president of loans shall meet with the appropriate church official and other appropriate district 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 and vice president of loans and with the concurrence of the Foundation's directors.

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INSURANCE SETTLEMENTS

If an insurance settlement on mortgaged property is $25,000 or less, the Fund shall release the proceeds of the settlement to the church. If in excess of $25,000, the following shall apply:

A. The proceeds of the settlement shall be placed in a Development Fund account,

B. The church shall submit a proposal detailing the plan and cost of repair to the Fund, and

D. Once the proposal has been approved by the Fund, the proceeds of the insurance settlement shall be disbursed as follows:

   a. If the facility was totally destroyed, the Fund would retain the portion of the insurance settlement proceeds that represents the full value of the outstanding principal balance of the mortgage loan and release to the church the remaining portion of the proceeds;

   b. If the property is abandoned, the Fund would retain the portion of the insurance settlement proceeds that represents 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.

SPECIAL CIRCUMSTANCE REQUESTS

A. From time to time, the Foundation may elect to purchase loans from third parties, enter into joint loans with participating lenders and/or acquire loans or interests therein from other Conference organizations and entities affiliated with the Florida Annual Conference or The United Methodist Church to better serve the ministries and churches it serves.

B. On a limited basis, the Foundation may also make loans to the Florida Annual Conference and/or its affiliated agencies and institutions on a short-term basis, provided that the loan complies with these loan policies and procedures.

C. All proposed purchases, acquisitions or special circumstances loan requests will be presented and approved according to the approval process described in paragraph V.

D. The limit on the amount of unsecured loans that may be made by the Foundation using monies from the Fund will be equal to the lesser of 10 percent of the total assets held in the Fund or a specific limit established, from time to time, by the directors of the Foundation.

(Adopted 12/5/92; Amended: 12/5/92, 9/10/94, 5/13/95, 12/6/97, 4/24/99, 5/20/00, 3/24/01, 9/21/02, 12/7/02, 3/22/03, 5/3/05, 12/01/07, 3/29/08, 6/26/10, 12/05/10, 7/10/12, 3/29/14, 01/20/15, 09/26/2020)

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