

ORTHODOX PRESBYTERIAN CHURCH LOAN FUND, INC.

A MANUAL FOR APPLICANTS

Rev. 11/05/2019

Mark A. Stumpff, Loan Fund Manager
607 Easton Road, Bldg. E
Willow Grove, PA 19090-2539

OPC Main Line: (215) 830-0900
Direct Dial: (215) 935-1028
Fax: (215) 830-0350

CONTENTS

| | Page |
|---|----------|
| INTRODUCTION..... | 3 |
| ORTHODOX PRESBYTERIAN CHURCH LOAN FUND NOTES..... | 4-5 |
| REQUIREMENTS FOR ALL LOANS..... | 6-7 |
| GUIDELINES FOR A LOAN APPLICATION..... | 8 |
| LOAN POLICY AND LOAN PROCESSING..... | 9-12 |
| CHURCH LOAN APPLICATION FORM..... | separate |

INTRODUCTION

The Orthodox Presbyterian Church Loan Fund, Inc. ("Loan Fund") is a legally autonomous Delaware nonprofit corporation. It is affiliated with, and organized solely for the benefit of, The Orthodox Presbyterian Church, Inc. ("OPC") and its member churches and committees. The Loan Fund was incorporated in 1993 under the supervision of the Committee on Home Missions and Church Extension of The Orthodox Presbyterian Church, Inc. ("the Committee"), which elects its Board of Directors.

The Board of Directors of the Loan Fund is composed of six directors. They are elected by a majority vote of the Committee at a regular meeting and serve for terms of three years each and until a successor is elected and qualified. The Board reports at least annually to the Committee. No more than three directors shall be non-members of the Committee, and must be members in good standing of an Orthodox Presbyterian Church.

The Loan Fund is authorized in its Certificate of Incorporation to act for the benefit of, and assist in, the financing of capital improvements for member churches and other instrumentalities of the OPC. Mission works of the OPC are given priority. The Fund is authorized to raise funds for its activities from the issuance of securities, contributions, loans from banks, and other evidences of indebtedness. Loans made are primarily for purposes that include the purchase of sites for church buildings, the construction and remodeling of church buildings, the purchase of existing church buildings and, possibly, the purchase of equipment for use in the churches.

Churches applying for a loan from the Loan Fund will be required to complete a Church Loan Application form setting forth membership and economic data for the applicant church, demographic and economic information about the community where the applicant church is located, detailed information concerning the proposed capital improvement project, debt service ability of the congregation, and other related information. The Loan Fund may obtain further information concerning the applicant church and its community from the presbytery or its agent, and the presbytery or its agent may also be requested to state whether it believes the applicant church is in need of the loan or whether the presbytery or its agent recommends the granting of the loan. A loan application fee of \$250 must accompany the Church Loan Application form when it is submitted.

The loan will be approved or denied by the Board of Directors of the Loan Fund. Applications for loans are considered in the order in which they are received. At the discretion of the Directors, and depending on the Loan Fund's cash situation, the church body requesting the loan may be responsible for promoting and raising 25% of the amount requested in new Notes in the Loan Fund, those Notes being of the five- or ten-year type.

ORTHODOX PRESBYTERIAN CHURCH LOAN FUND NOTES

DESCRIPTION OF THE NOTES

I. FIXED INTEREST-RATE NOTES (Notes with a fixed interest-rate for the term of the Note).

See current Rate Sheet for interest rates

Investors may elect to have interest on Notes either compounded quarterly or paid quarterly on March 31, June 30, September 30, and December 31.

2. Renewal - Fixed Rate Notes may automatically be renewed at the discretion of the Loan Fund (except Notes held by California investors, which must be renewed by written affirmation by the investor) at rates of interest determined by the Loan Fund. The renewal will be for any available term. Note holders not desiring to renew must present the Note to the Loan Fund at least 10 days prior to the due date or renewal due date. Note holders will be provided with a renewal notice and an updated *Offering Circular* and *Rate Sheet* prior to the date of renewal.

3. General Terms - The general terms of the Notes are discussed below under "General Provisions of Notes."

4. Note Purchase - Notes may be purchased with cash, by check, or by money order.

5. All Notes will rank equitably and without preference with any future Notes.

II. GENERAL PROVISIONS OF THE NOTES

The following general provisions are applicable to the Notes:

Security - The Notes are unsecured obligations of the Orthodox Presbyterian Church Loan Fund, Inc.

Offer by Circular only – The Notes are only offered through the *Offering Circular* which will be provided to inquiring potential investors at their request. The Loan Fund may only offer its Notes to the residents of certain states.

Call - The Loan Fund may call any Note at any time in its sole discretion. There will be no prepayment premium if any Note is called within two years of its maturity date. If a Note is called prior to two years before its maturity date, the Loan Fund will pay a prepayment premium of .50% of principal for each year (or fraction thereof) in excess of two years remaining before the Note's maturity date. For example, if a Note due in 2025 were called in 2022, the Loan Fund would pay a prepayment premium of 0.50% of principal. If a Note due in 2023 were called in 2022, there would be no prepayment premium.

Early Redemption - There is no provision for redemption of Notes before the maturity date. It is the policy of the Loan Fund to consider, in the sole discretion of its Loan Fund Manager, requests for early redemption based upon a representation of personal or financial emergency need, provided he determines funds are available for such redemption. There can be no assurance, however, that the Loan Fund will continue such policy in the future and the Loan Fund is not legally obligated to redeem any Notes prior to maturity. In the event of the death of a Note holder, a Note may be redeemed without penalty.

Transfers - An investor may transfer his or her Note, only with the Loan Fund's consent, to persons or entities who would be eligible to purchase or hold the Loan Fund's Notes originally, by gift, order of a court of competent jurisdiction, as security for a loan, or on death to descendants or the spouse of the investor, to investors holding similar Notes, or transfers by a corporate investor to a wholly-owned subsidiary or parent.

Default - An event of default shall occur if the Loan Fund fails to make any payment required by the Note when due, and such default continues for more than sixty days after the Loan Fund has received written notice of such failure from the Note holder. Upon the occurrence of an event of default, and such default continuing beyond thirty days, in addition to his other legal remedies, the Note holder shall be entitled to receive upon request a list of the names and addresses of other Note holders.

REQUIREMENTS FOR ALL LOANS

I. WHEN SUBMITTING AN APPLICATION FOR A LOAN

1. Submit the following information with completed loan application form:
 - a. Previous annual congregational financial reports (Revenue & Expense; Balance Sheet; 3 years if possible)
 - b. Monthly financial statements for current year-to-date, plus annual budget
 - c. A brief historical sketch of the congregation
 - d. Sketches or plans of existing building or new construction
 - e. All contracts, agreements, inspection reports, etc. related to the property
 - f. A three-year projection of the *additional costs* to the congregation for the new building or changes to current building, compared with current budgeted amounts
2. A loan application fee of \$250 must accompany the submitted application.
3. You are encouraged to submit all documents including the Application itself, to the extent possible, by email attachment, to the Loan Fund Administrator; this would include documents in PDF, Word or Excel spreadsheets.
4. Consult the Loan Fund Manager/Administrator and gain their approval before entering into any contracts or other financial commitments related to the project proposed in this loan application.
5. By now you will also have called a congregational (and/or corporate) meeting (or are about to) to obtain approval to proceed with the purchase of “property x”, and incur the debt through a loan. Many such meetings require a certain amount of time between the call of and the actual meeting date. The corporation will also need to pass a resolution designating certain persons as authorized signatories representing your church in the matter of the purchase, as well as executing loan documents. The title company will probably ask you for proof of these corporate authorizations.

OPC Loan Fund must have copies of the above (3) mentioned resolutions: 1.) resolution to approve the purchase of “property x,” 2.) resolution to incur debt through a loan, and 3.) resolution to authorize signatories in the matter of the purchase.

II. IMMEDIATELY AFTER A LOAN IS APPROVED BY THE BOARD OF DIRECTORS

1. Appoint one or two individuals charged officially with responsibility for serving as contacts for your project, and inform the Loan Fund staff.
2. Consult Loan Fund staff regarding specific instruments or documents required (such as a deed of trust, promissory note, or title documents); Loan Fund has specific language and terms which must be included. **It is the applicant's**

responsibility to have all legal documents prepared, subject to review and approval before execution by the Loan Fund Manager/Administrator.

III. PRIOR TO SETTLEMENT

1. Submit the following information to Loan Fund staff:
 - a. Loan Fund staff will need to review and approve all legal documents securing the loan, prepared by your attorney or title company.
 - b. Letter of opinion on title, or Commitment for Title Insurance (the Loan Fund requires a Lender's Title Insurance Policy issued in its name in the amount of the loan.)
 - c. Tentative closing statement (Ideally, Loan Fund staff will work with your closer prior to settlement, so notify us as to the appropriate contact person.)
 - d. Your approval to send (loan) funds to the title company or other entity which is handling the settlement of the purchase; if possible, funds will be sent by wire the business day before the closing date. If your loan project does not involve a purchase, then we will discuss with you the timing and approval process for disbursements of loan funds.

IV. FOLLOWING SETTLEMENT

1. Submit the following information to Loan Fund staff:
 - a. Instrument or documents (deed of trust or mortgage, promissory note, and title documents: all of which must be received by the Loan Fund to have a completed loan); the Loan Fund requires, and will hold, the original Promissory Note and original recorded mortgage/Deed of Trust.
 - b. A copy of the property insurance policy (fire and liability); the Loan Fund must receive a current Certificate/Binder verifying property insurance coverage, so this must be established with your agent, as well as instructions to send Loan Fund, as mortgagee, all future updated Certificates/Binders as they occur.
 - c. Title insurance policy (Lender's title insurance in the amount of the loan)
 - d. Final closing statement
 - e. Summary statement of personal property, non-real estate items such as piano, organ, chairs, pulpit, tables, etc. in the building
2. If not pursued beforehand, you will want to determine what steps you must take to keep (or place) the property (if worship facilities) off the tax rolls for property tax purposes.
 - a. There may be DEADLINES to meet, so this can be financially important. Your local contacts are your best source (city? county?) for forms, processes and timing.
 - b. The Orthodox Presbyterian Church as a denomination has a group ruling letter from the Internal Revenue Service. This group ruling letter applies to all member congregations (within the United States), referred to as an umbrella coverage. While your particular church may/should have its own EIN for other tax reporting purposes (e.g., payroll), it is the group ruling letter that your church can rely on for tax-exemption purposes. So, if you are asked to provide a ruling

letter of tax-exemption from the IRS, then the group ruling letter is what you need. Let us know if you need a copy and we'll gladly send one.

GUIDELINES FOR A LOAN APPLICATION

I. LAND PURCHASE

1. Secure a professional appraisal of the property if deemed necessary by Loan Fund staff (consult with Loan Fund staff before undertaking this expense).
2. Engage an attorney to handle the transaction.
3. Complete loan application form and submit with contract to purchase.
4. Consider the need to secure a land survey with findings being a condition of the contract to purchase, if appropriate.
5. Contract to purchase should usually contain a clause stating that in the event the buyer is unable to secure a lending commitment within ninety (90) days, the agreement is null and void; a shorter timeframe may or may not be workable, given the need for Board action after Loan Fund staff review the application.
6. Title search should be made and also made a condition of the contract to purchase.
7. Were other properties considered? If so, why was this property selected?

II. PURCHASING AN EXISTING BUILDING

1. Secure a professional appraisal of the building if deemed necessary by Loan Fund staff (consult with Loan Fund staff before undertaking this expense). If it is not included in appraisal, then secure competent opinion on the condition of roof, foundation, basic structure, heating system, plumbing and wiring.
2. Engage an attorney to handle the transaction
3. Check zoning laws for church usage
4. Complete loan application form and submit with contract to purchase
5. Explore insurance coverage (fire and liability)
6. Contract to purchase should usually contain a clause stating that in the event the buyer is unable to secure a lending commitment within ninety (90) days, the agreement is null and void; a shorter timeframe may or may not be workable, given the need for Board action after Loan Fund staff review the application.
7. Consider the need to secure a land survey with findings being a condition of the contract to purchase, if appropriate
8. Title search should be made and also made a condition of the contract to purchase
9. Were other buildings considered or a new building to be constructed? If so, why was this building selected?

III. NEW CONSTRUCTION

1. Engage an architect and usually a general contractor
2. Engage an attorney
3. Complete loan application form
4. Check out local ordinances - zoning, special restrictions
5. Secure complete cost breakdown in writing
6. Secure construction insurance for liability and fire protection

LOAN POLICY AND LOAN PROCESSING

Loans by the Loan Fund are for the purpose of assisting organized churches and mission works of The Orthodox Presbyterian Church engaging in new capital improvement projects, including the purchase of sites for church buildings, the construction and remodeling of church buildings, the purchase of existing church buildings and, possibly, the purchase of equipment for use in the churches. The loan request will be approved or denied by the Board of Directors of the Loan Fund.

A. General Loan Policies

1. The Loan Fund generally will not fund more than 80% of a project. Further, the Loan Fund generally will not fund a project that results in a debt service requirement for the borrowing church that is in excess of 30% of the borrowing church's annual undesignated revenue.

2. Payment terms will be on a monthly basis and will include principal and interest payments wherever possible. These regular monthly loan payments will be made by authorized debit from the church's bank account. In certain cases, loans might be repaid in installments that include interest only, with amortization of principal at a subsequent time.

3. Loans will be made on a secured basis in virtually all circumstances. Thus, a recorded mortgage or deed of trust will be required on church-owned real estate, improvements will be insured at replacement cost, and appraisals of collateral may be required to justify the amount of the loan in relation to security provided. In some instances it may be necessary or appropriate to make loans secured by personal guarantees of certain members of a congregation. Such situations will be reviewed carefully and it is expected that most loans would not be made on this basis. Where a church has good credit and has or has had mortgages to prior lenders, the Board of Directors of the Loan Fund has the authority to make prudent unsecured loans. Unsecured loans will bear the same rate of interest as secured loans.

4. Loans may be in the form of a construction loan initially, with monthly interest-only payments until the building has been occupied or a date certain set by the directors.

5. Loans shall be for a maximum ten-year term, with a balloon maturity date; under an alternative interest rate option, some loans may have a maximum five-year term. The

borrower (through its session or trustees, as appropriate) must submit a written request before the loan's maturity date to modify the loan's terms for another loan period (up to ten years), subject to review and approval of all new terms. Therefore, it is suggested that legal documents provide for written modifications, to mitigate future legal expenses.

6. A loan commitment shall be valid for six months from the date of approval, after which applicants shall be required to submit a written request for extension with appropriate updated materials for action by the Board.

7. A monthly commitment fee of 1/4 of 1% will be charged on loans granted by the Board but not disbursed within one month after the date on which the funds are first needed by the borrower, as specified in the loan application. The fee is to be invoiced monthly on the outstanding balance of committed, yet undisbursed, funds as of the last day of the prior month until all funds have been disbursed or released.

8. In the event that the mortgagor or borrower fails to make three consecutive payments according to the terms of the loan, the Board of Directors will seek the advice of an appropriate committee of the presbytery that has jurisdiction with the intention of accelerating the loan and, in the case of secured loans, foreclosing on the security.

9. Any claim or dispute arising from or related to the granting of a loan from the Loan Fund shall be settled through biblically-based mediation and, if necessary, legally binding arbitration in accordance with the *Rules of Procedure for Christian Conciliation* of the Institute for Christian Conciliation (formerly Association of Christian Conciliation Services), and judgment upon an arbitration award may be entered in any court having jurisdiction. Biblically-based mediation is a process that is conciliatory rather than adversarial in nature – that is, it encourages honest communication and reasonable cooperation rather than unnecessary contention and advocacy. If the parties are unable to resolve a dispute personally and privately, they may meet with one or more mediators to promote a constructive dialogue and voluntary settlement of the differences.

10. Loans will be due and payable in their entirety if a church withdraws from the denomination or if the building or addition financed is not used for church purposes. In the event that a church leaves the denomination, a six-month period may be granted to secure refinancing, the period to begin when the presbytery that has jurisdiction considers the church to be no longer a member church of The Orthodox Presbyterian Church.

11. Loans may be prepaid in part or in full at any time prior to their maturity. However, if a loan is repaid *from the proceeds of another financial institution* (excluding the sale of the property) the following may apply:

Other than the above allowed prepayment, Holder is entitled to the following prepayment penalty: if prepaid during the first or second Note Years, a prepayment penalty equal to 3% of the amount prepaid; if prepaid during the third Note Year, a prepayment penalty equal to 2% of the amount prepaid; if prepaid during the fourth or fifth Note Years, a prepayment penalty equal to 1% of the

amount prepaid; and thereafter the note may be prepaid in part or in full without prepayment penalty. As used herein "Note Year" means each successive period of 12 months commencing on the date this Note (or Note Modification, if applicable).

B. Loan Applications

As stated in the Introduction, churches applying for a loan from the Loan Fund will be required to complete an application form setting forth membership and economic data for the applicant church, demographic and economic information about the community where the applicant church is located, detailed information concerning the proposed capital improvement project, debt service ability of the congregation, and other related information. The Loan Fund may obtain further information concerning the applicant church and its community from the presbytery or its agent, and the presbytery or its agent may also be requested to state whether it believes the applicant church is in need of the loan or whether the presbytery or its agent recommends the granting of the loan. A loan application fee of \$250 must accompany the submitted application.

C. Mortgage Documents

Mortgage documents are usually required by the Loan Fund to secure the loan granted. This is at the expense of the mortgagee. The mortgage documents must include the following statements:

1. The parties to this agreement are Christians and believe that the Bible commands them to make every effort to live at peace and to resolve disputes with each other in private or within the Christian church (see Matthew 18:15-20, I Corinthians 6:1-8). Therefore, the parties agree that any claim or dispute arising from or related to this agreement shall be settled by biblically-based mediation and, if necessary, legally binding arbitration in accordance with the *Rules of Procedure for Christian Conciliation* of the Institute for Christian Conciliation. Judgment upon an arbitration award may be entered in any court otherwise having jurisdiction. The parties understand that these methods shall be the sole remedy for any controversy or claim arising out of this agreement and expressly waive their right to file a lawsuit in any civil court against one another for such disputes, except to enforce an arbitration decision.

[FOR YOUR OWN INFORMATION – not part of the required language – A copy of the *Rules of Procedure for Christian Conciliation* of the Institute for Christian Conciliation is available upon request.]

2. Notwithstanding any other provision of this Mortgage or Note, if Maker withdraws from or otherwise terminates its relationship or affiliation with the Orthodox Presbyterian Church, all amounts outstanding on this Note are due and payable six months after Mortgagee has received written notice from Maker of its intention to withdraw ("Withdrawal Notice Date"). Maker shall have six months from such Withdrawal Notice Date in which to obtain or arrange alternative financing. In the event that Maker fails to

obtain alternative financing prior to six months following the Withdrawal Notice Date, Mortgagee may exercise its legal or equitable remedies, whether through foreclosure of the Mortgage securing this Note or otherwise, the amounts outstanding on this Note shall be immediately due and payable without further demand and notice. If alternative financing is obtained by Maker, Mortgagee shall execute a written release, in recordable form, releasing Maker from its obligations on this Note and the Mortgage.

3. Payments are due on the fifteenth day of each month. These regular monthly loan payments will be made by authorized debit from the church's bank account. A grace period may be granted by the loan fund manager until the end of the month in which payment is due. Payments received after the grace period will be subject to a late fee of \$25.00. Payments that exceed agreed upon terms will be applied to principal.

4. Loans may be prepaid in part or in full at any time prior to their maturity. However, if a loan is repaid *from the proceeds of another financial institution* (excluding the sale of the property) the following may apply:

Other than the above allowed prepayment, Holder is entitled to the following prepayment penalty: if prepaid during the first or second Note Years, a prepayment penalty equal to 3% of the amount prepaid; if prepaid during the third Note Year, a prepayment penalty equal to 2% of the amount prepaid; if prepaid during the fourth or fifth Note Years, a prepayment penalty equal to 1% of the amount prepaid; and thereafter the note may be prepaid in part or in full without prepayment penalty. As used herein "Note Year" means each successive period of 12 months commencing on the date this Note (or Note Modification, if applicable).

5. Default procedures:

a. In the event that a Mortgagor is unable to make a monthly payment of principal and/or interest, it must request, in writing, relief from the agreed upon payment schedule to the loan fund manager. If the request is granted, a fee of \$25.00 for administrative expenses may be imposed.

b. In the event that a Mortgagor misses two consecutive monthly payments, a letter from the loan fund manager will be sent stating the nature of the delinquency and indicating the procedures to be followed if full payment is not received within the next month.

c. In the event that a Mortgagor fails to make three consecutive monthly payments, the Board of Directors will seek the advice of an appropriate committee of the presbytery with jurisdiction with the intention of accelerating the loan and, in the case of secured loans, foreclosing on the security.

6. [FOR PROMISSORY NOTE] This Note may not be changed orally, but only by an agreement in writing, signed by both parties. [If possible, language to also modify the terms of the mortgage/trust deed should be included, in writing, signed by both parties.]