

LOAN POLICY

PREAMBLE

Among the purposes of Toronto United Church Council (Council) are:

- a) to manage the resources entrusted to its care, by God, in such a way as to enhance and enable the mission and ministry of The United Church of Canada within the service area, defined by the Letters Patent, through the support of capital funding for church development projects and capitalized maintenance of items that bring value to the property;
- b) to preserve the value of the resources through Christian stewardship so that they are available for mission and ministry in the future.

To fulfill this part of its purpose, Toronto United Church Council shall make loans from the Investing In Ministry Fund (to a maximum of 90% of the portfolio), the George H. Armstrong Fund, the Old St. Andrew's/St. Mark's Fund, the Muldrew Fund, the St. Enoch's Fund, and the Leslie and Anna Davenport Loan Fund (the Funds) within the framework of the Asset Management Guidelines and according to the following Loan Policy. The General Fund (to an aggregate total of \$300,000) will be available for loans that are deemed to be worthy of Council's involvement but for which there is limited security and/or a significant risk for full repayment.

POLICY

1. Council will lend money from the Funds only for capital development or capitalized maintenance of items that bring value to the property so long as the loan is also consistent with any other conditions applicable to a particular Fund.
2. Loans shall be made to congregations, pastoral charges, mission units, or corporations as defined in Appendix 4 of The United Church of Canada Manual, within the service area of Council provided that such applications have the prior approval of the applicant's supervising Court.
3. Loans shall not exceed 90% of the project cost, to a maximum of \$750,000. Applicants will be encouraged to seek a proportion of funding from other sources including, but not limited to, Presbytery capital holding corporations and the General Council of The United Church of Canada. Any unrestricted capital reserves in excess of \$25,000 held by the loan applicant must either be applied to the project being financed or be provided as collateral through deposit in the Investing In Ministry Fund.
4. The loan applicant will complete Council's standard loan application form as prepared by Council's Finance & Investment Committee. A non-refundable origination fee of 0.5% of the loan request with a minimum of \$500 is to be made at the time the loan application is presented. Upon each renewal, a non-refundable renewal fee of 0.25% of the outstanding balance with a minimum of \$250 will be invoiced and paid 90-days prior to the renewal date. These fees will be paid to the General Fund of Council to defray its administration costs for processing the loan application. It is understood that third-party consulting and legal fees incurred by Council in the due diligence of reviewing the application will be invoiced to the loan applicant.
5. The loan conditions shall be established with attention to the following elements -
 - a) Loans of more than \$50,000 shall be secured by a First Mortgage, the expenses for the preparation and registration of which shall be paid by the applicant. Loans of \$50,000 or less will be secured by a Promissory Note.
 - b) The amortization rate shall normally not exceed five years for loans of up to \$50,000, ten years for loans of \$51,000 to \$100,000, and twenty-five years for loans over \$101,000.
 - c) The term shall not exceed three years.
 - d) The interest rate shall be the applicable mortgage rate of the corporation's banking institution from time to time. The interest rate shall be established at least 14 days prior to the first draw and be stated in the mortgage document or promissory note. For short-term bridge

loans, an additional 2% will be added to the interest rate for any period that goes beyond the contracted repayment date.

6. Once a loan has been approved, the following conditions will apply -
 - a) Normally, loan funds will not be advanced until all security documentation is in place (including but not limited to promissory notes, mortgage papers and revisions to insurance policies). The application is terminated if the first draw is not forwarded within three months of the approval. Amounts drawn must be in increments of \$25,000 or more to a maximum of three draws.
 - b) Draws will be deemed as being complete six months from the approval date unless a request for an extension is granted by Council. The interest adjustment date will be set as of the date of the last draw within the six month period.
 - c) Loans are open. Partial or full repayment may be made at any time without penalty.
7. In evaluating and endorsing the loan request, the supervising Court is encouraged to give due consideration to the effect of debt servicing on the operating budget of the applicant, to the general circumstances in which ministry is done by the applicant, and to income outside the regular giving of members and adherents such as rental income from users, government funds for activities or projects, and from endowments and trusts. Council will evaluate each loan application with specific focus on the security of the loan and the applicant's ability to repay.
8. This Policy may be amended or superseded by the action of at least two-thirds of the Directors present and voting on a specific recommendation for which due notice is given to all Directors at least ten days before the recommendation is to be presented.
9. Loan decisions are made as follows:
 - Executive Director with reporting to the next meeting of the Finance & Investment Committee:
 - loans from \$ 0 - \$25,000 and renewals from \$0 - \$50,000;
 - Finance & Investment Committee:
 - loans from \$25,000- \$300,000 and renewals from \$50,000 - \$300,000;
 - Board of Directors:
 - loans and renewals above \$300,000 and those with special conditions.

MORTGAGE RENEWAL APPROVAL

Where Council is merely granting an extension of time at the maturity of the mortgage term for a congregation to pay the balance of the principal and interest owing (that is, no change to the interest rate or monthly payments), this may simply be confirmed in writing by Council to the congregational Trustees or mission unit's Board of Directors. The consent of the supervising Church court is normally not required.

Where a mortgage is being renewed on terms that differ from the prior terms with or without an increase in the interest rate, the renewal terms should be confirmed by a written agreement, signed and dated by both parties. The consent of the supervising Church court is normally required.

If a mortgage renewal agreement provides for a higher interest rate than that contained in the registered mortgage, the renewal agreement is normally registered on title. The consent of the supervising Church court is normally required.

If the amount of principal is being increased in a mortgage arrangement, the agreement confirming the new principal amount and payment terms must be registered on title and should be conditional upon there being no subsequent encumbrances or upon the congregational Trustees or the mission unit's Board of Directors obtaining a postponement in favour of Council's interest under the renewal agreement from all subsequent encumbrances. The consent of the supervising Church court is normally required.

RELIEF FROM PAYMENT OF DEBT

All relief from payment of debt however granted will be secured with a non-performing mortgage to be paid in full if the property is sold or if the congregation ceases to use the property for activities of a congregation of The United Church of Canada, ceases to exist, amalgamates with another congregation, or ceases to be congregation of The United Church of Canada. The simple interest rate will be calculated at 5% per annum. Legal fees pertaining to the preparation and registration of the mortgage will be paid by Council.

INTEREST ON INTEREST

Interest will be charged on delinquent mortgage and loan accounts more than one month in arrears.

Guiding Principle: Recognizing that Council has a fiduciary role to act on behalf of funds under its stewardship, borrowers are encouraged to repay mortgages and loans as per the schedule of payments and other terms of the contract.

Late payment: No overdue interest is charged if a payment is made within one month following the scheduled due date.

Partial payment: If a borrower cannot meet the scheduled payment amount (comprising interest on the unpaid balance and a repayment of part of the principal balance outstanding), then the borrower is encouraged to pay the interest portion of the scheduled payment as a partial payment.

Delinquent: If no payment is received within the month following the scheduled due date, the mortgage or loan is deemed to be delinquent.

Interest on overdue accounts: Once an account is declared delinquent, interest will be charged on the interest portion of overdue payment(s) monthly, calculated from the due date of the first payment in default. Interest will be charged at the same rate as the mortgage or loan. Payment of overdue interest and interest thereon must be paid as first claims against the mortgage or loan before resuming regularly scheduled interest and repayment of principal.

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