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 to a maximum of 90% of the portfolio of the Investing In Ministry Fund, (which is includes the capital from the George H. Armstrong Fund, the Old St. Andrew's/ St. Mark's Fund, and the Leslie and Anna Davenport Loan Fund). The Muldrew Fund and the St. Enoch's Fund are also available for lending purposes. The General Fund (to an aggregate total of $1,000,000) 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 United Church corporations, within the service area of Council provided that such applications have the approval of the applicant's supervising Court as may be required and set out in The United Church Manual.

3. Loans shall not exceed 90% of the project cost. Applicants will be encouraged to seek a proportion of funding from other sources including, but not limited to, the General Council of The United Church of Canada and the capital holding corporation of the Presbyteries. 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 will be made at the time the loan application is presented. The origination fee for loans under $10,000 is $150, the fee for loans between $10,001 and $50,000 is $250, and for loans over $50,001 the fee is 0.5% of the loan request with a minimum of $500. Upon each renewal, a non-refundable renewal fee will be invoiced and paid 90-days prior to the renewal date. The renewal fee for renewals under $10,000 is $150, the fee for renewals over $10,001 is 0.25% of the outstanding balance with a minimum of $250. These fees will be paid to the General Fund of Council to defray its administration costs for processing the loan application or loan renewal. It is understood that third-party consulting and legal 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) For new or renewed loans, the amortization period shall normally not exceed three years for amounts up to $10,000, five years for amounts from $10,001 to $25,000, ten years for amounts from $25,001 to $50,000, fifteen years for amounts from $50,001 to $100,000, and twenty-five years for loans over $100,001.
   c) The term for a loan or renewal shall normally not exceed three years; however, a term equal to the amortization period will be available for loans and renewals with an amortization period of five years or less.
   d) The interest rate shall be 4% or the applicable mortgage rate of the corporation's banking institution from time to time, whichever is higher at the time the loan is made. 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.
   e) All borrowers for loans over $50,000 must obtain independent legal advice regarding mortgage documentation and related terms and conditions associated with the loan.

f) Any change to the policy on interest rates will be communicated to all borrowers within 30 days of the policy's adoption.

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) With the exception of bridge-loans and lines of credit, draws will be deemed as being complete six months from the approval date unless a request for an extension is granted by Council. Upon approval of an extension, a Commitment Fee of 1% per annum on the unutilized portion of the committed funds, paid monthly by the borrower during the extension period, will be charged. The interest adjustment date will be set as of the 1st day of the month *after* the last draw within the six month period.
   c) The loan period for bridge-loans will normally be up to two years. A standard renewal fee will be payable if it is requested that this period be extended, with the interest rate being set at the rate prevailing at the time of renewal.
   d) A renewal fee is not payable in instances where the bridge loan is being converted to a regular principal and interest loan. The interest rate will be that applicable at that date under Council's standard loan policy. The conversion date will also be the commencement date for the usual three-year term.
   e) Where a loan is a construction loan, Council will normally withhold 10% from each advance under the new loan, pending substantial completion of the project and expiry of the statutory lien period.
   f) Prior to the advance of draws on a construction loan, a sub-search will be conducted by Council's legal advisors. These sub-searches will be at the borrower's expense.
   g) Loans are open. Partial or full repayment may be made at any time without penalty.

7. Council will evaluate each loan application with specific focus on the security of the loan, the applicant's ability to repay, and that the applicant's supervising Court has attended to any approvals as may be required and set out in The United Church Manual.

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 five 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 to $25,000 and renewals from $0 to $50,000;
   - Finance & Investment Committee – loans from $25,000 to $300,000 and renewals from $50,000 to $300,000;
   - Board of Directors – loans and renewals above $300,000 and those with special conditions.

Revised April 2018
Revised October 2018

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 and the estimated fees included as an addition to the amount secured.

INTEREST ON INTEREST

Overdue interest will be charged on mortgage and loan accounts 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.

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: Interest will be charged on the interest portion of overdue payment(s), 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.

Approved February 1996
Revised February 1997
Revised April 1998
Revised October 1998
Revised February 1999
Revised April 2003
Revised August 2005
Revised June 2007
Revised December 2009
Revised February 2011
Revised October 2011
Revised October 2012
Revised March 2014
Revised December 2014
Revised April 2015
Revised April 2017