



Loan Requirements - If you are getting a loan for either capital improvements to your existing property or buying a new property, the following outlines the requirements that The River Conference has set forth.

OBTAINING A LOAN FOR CAPITAL IMPROVEMENTS OR THE PURCHASE OF PROPERTY

STEP 1 Read ¶6400-6410 of FMC's Book of Discipline

STEP 2 Contact The Free Methodist Foundation to determine what you qualify for and begin gathering the necessary paperwork.

STEP 3 TRC's Property Team must review and approve the purchase of any property and/or building as well as any capital improvements greater than \$10,000.

They meet on the second Thursday of every month, with the exception of July and December. Proposals must be submitted to our Property Manager, Dan Lincoln, at danlincoln555@gmail.com. He will then place your request on the next meeting's agenda. The following paperwork must be submitted before the request is placed on the Property Team Agenda:

- FMC's Application to Purchase Property - If approved by TRC, we will sign and return this application to you. Please retain this copy as you will need it to complete the paperwork for FMC.
- Year-To-Date Profit & Loss Statement and Balance Sheet
- Prior Year's Profit & Loss Statement and Balance Sheet
- Current Year's Budget
- Articles of Incorporation
- Minutes of the Local Society Authorizing the Purchase of the property
- Copy of your current Insurance Policy

STEP 4 TRC's Property Team approves/denies the request to purchase property.

The Property Manager will let you know the decision as soon as possible. He will explain any reasons for any denial and you will have an opportunity to resubmit the request after rectifying any of the Property Team's objections. In some cases, the Property Manager will inspect the prospective property to verify its value and to highlight any potential problems.

STEP 5 If approved by the Property Team, they will make a recommendation to TRC's Board of Directors to allow the purchase of the property.

TRC's Board meets the third Thursday of every month with the exception of July and December. The Board will vote to approve or deny the request.

STEP 6 If the Board of Directors approves the purchase of the property, you will then begin the process of securing a loan from the Free Methodist Foundation or other lending organization.

KEEP IN MIND THAT ALL PAPERWORK (LOAN, LEASE, TITLE, DEED, ETC.) MUST BE SIGNED BY A SUPERINTENDENT.

A Trust Clause MUST be included in the Title of the Property and should state:

The property is held in irrevocable trust for the Free Methodist Church – USA (incorporated as “The Free Methodist Church of North America”) and is subject to all provisions of its Book of Discipline. “Property” includes all houses of worship existing now or later constructed on the property. The following additional provisions apply to the trust:

- ◆ *all seats shall be forever free;*
- ◆ *all trustees and their successors, any society or congregation, and all entities or persons with any interest in the property shall permit a minister to hold religious services on the property if the minister is authorized under the Book of Discipline and holds services in accordance with it.*
- ◆ *The property may be sold and the proceeds disposed of only in accordance with the Book of Discipline.*

If using the Free Methodist Foundation for your loan, continue with Steps 7-10

STEP 7

Preparation and Submission of Application. This was done in Step 3 and sent into TRC’s Property Team.

- Complete Application with Signatures (Requires Conference Superintendent Signature)
- Attached Year To Date and Previous Year Financial Statements and Budget

STEP 8

Review, Analysis, and Decision by FMF

STEP 9

If approved, the applicable documents from the list below are required:

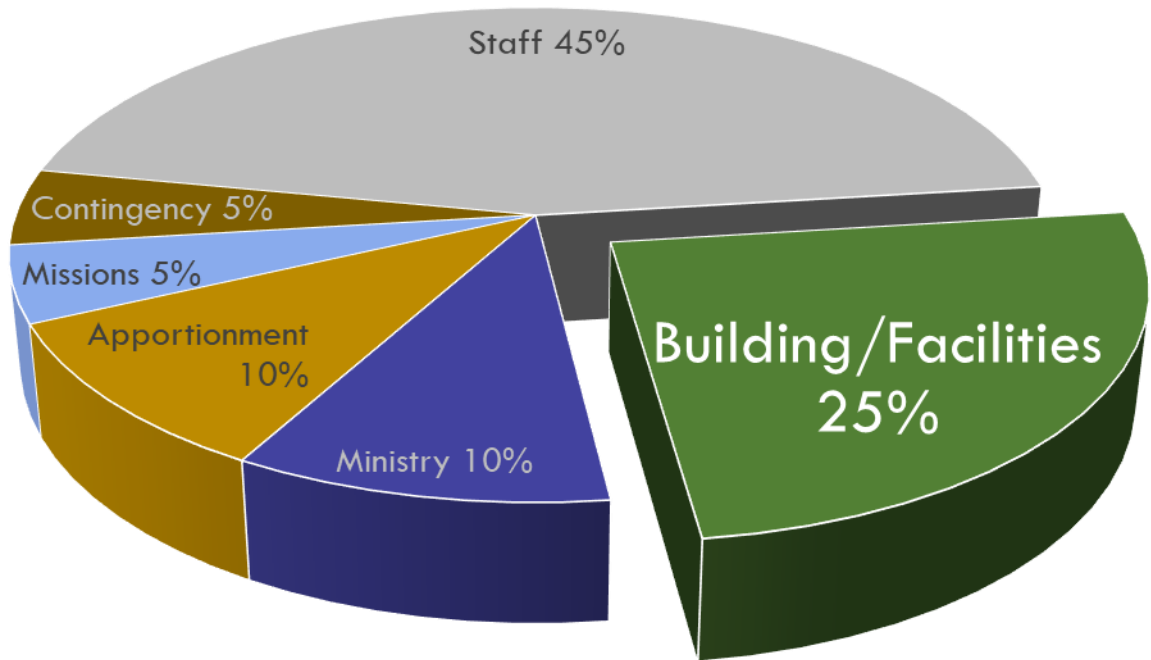
- Articles of Incorporation
- Property Deed
- Minutes of the Local Society Authorizing the Loan
- Copy of Conference BOA Authorizing the Loan
- Release to Encumber
- Appraisal
- Copy of Purchase Agreement, if applicable
- Copy of Construction Agreement with General Contractor
- Promissory Note
- First Mortgage or Deed of Trust
- Title Insurance Policy
- Certificate of Fire and Extended Coverage Insurance

STEP 10

FMF disburse funds by Electronic Transfer or check.

The River Conference recommends that you use the following guide when you prepare your church's budget or when determining the feasibility of capital improvements and purchasing property.

TRC Recommended Budget Percentages





The Free Methodist Investment & Loan Fund exists to assist ministries of the Free Methodist Church in the acquisition, construction and expansion of physical facilities by providing meaningful investment opportunities to members and friends of the church.

WHAT SIZE LOAN MIGHT WE QUALIFY FOR?

The Free Methodist Loan Fund has two general guidelines that will help you determine how much you may qualify for. First, the Free Methodist Loan Fund is only authorized to loan up to 75% of what the property is appraised at. Therefore, if the property is appraised for \$100,000 the largest potential loan would be \$75,000.

Second, a maximum of 30% of a ministries' revenue (excluding capital funds) can be used to service debt. Below is a general guide showing how much a ministry can potentially qualify for based on revenue assumptions and amortization.

Annual Ministry Income	10-Year Loan		15-Year Loan		20-Year Loan		25-Year Loan		Approximate Monthly Payment
	Financed Amount	Required Down Payment	Financed Amount	Required Down Payment	Financed Amount	Required Down Payment	Financed Amount	Required Down Payment	
50,000	115,443	38,481	153,481	51,160	182,464	60,821	204,547	68,182	1,250
150,000	346,329	115,443	460,443	153,481	547,392	182,464	613,642	204,547	3,750
250,000	577,214	192,405	767,405	255,802	912,320	304,107	1,022,737	340,912	6,250
300,000	692,657	230,886	920,887	306,962	1,094,784	364,928	1,227,285	409,095	7,500
350,000	808,100	269,367	1,074,368	358,123	1,277,248	425,749	1,431,832	477,277	8,750
400,000	923,543	307,848	1,227,849	409,283	1,459,713	486,571	1,636,380	545,460	10,000
450,000	1,038,986	346,329	1,381,330	460,443	1,642,177	547,392	1,840,927	613,642	11,250
500,000	1,154,428	384,809	1,534,811	511,604	1,824,641	608,214	2,045,475	681,825	12,500
550,000	1,269,871	423,290	1,688,292	562,764	2,007,105	669,035	2,250,022	750,007	13,750
600,000	1,385,314	461,771	1,841,773	613,924	2,189,569	729,856	2,454,570	818,190	15,000
650,000	1,500,757	500,252	1,995,254	665,085	2,372,033	790,678	2,659,117	886,372	16,250
700,000	1,616,200	538,733	2,148,735	716,245	2,554,497	851,499	2,863,664	954,555	17,500
750,000	1,731,643	577,214	2,302,216	767,405	2,736,961	912,320	3,068,212	1,022,737	18,750
800,000	1,847,085	615,695	2,455,697	818,566	2,919,425	973,142	3,272,759	1,090,920	20,000
850,000	1,962,528	654,176	2,609,178	869,726	3,101,889	1,033,963	3,477,307	1,159,102	21,250
900,000	2,077,971	692,657	2,762,660	920,887	3,284,353	1,094,784	3,681,854	1,227,285	22,500
950,000	2,193,414	731,138	2,916,141	972,047	3,466,817	1,155,606	3,886,402	1,295,467	23,750
1,000,000	2,308,857	769,619	3,069,622	1,023,207	3,649,281	1,216,427	4,090,949	1,363,650	25,000
1,300,000	3,001,514	1,000,505	3,990,508	1,330,169	4,744,066	1,581,355	5,318,234	1,772,745	32,500
1,600,000	3,694,171	1,231,390	4,911,395	1,637,132	5,838,850	1,946,283	6,545,519	2,181,840	40,000
2,000,000	4,617,714	1,539,238	6,139,243	2,046,414	7,298,563	2,432,854	8,181,899	2,727,300	50,000

Please note that this is a general guideline and does not guarantee approval. This example is based on a rate of 5.45%. If your expected rate is higher or lower your qualification will be adjusted accordingly.

WHAT FEES ARE ASSOCIATED WITH RECEIVING A NEW LOAN FROM THE FREE METHODIST LOAN FUND?

Different from most lenders, the Free Methodist Loan Fund does not charge any points or fees for new loans. The ministry normally incurs out of pocket expenses to cover the cost of an appraisal, mortgage preparation, and title insurance. Title insurance and appraisals will depend on the amount of the loan. Below are approximate rates for the state of Michigan. Please contact a local appraiser, attorney, and title company in your state to get a more accurate price.

Mortgage Amount	Document Prep & Recording	Title Insurance ¹	Appraisal Cost ²
\$ 100,000	\$100 - \$600	\$ 655	\$1,500 - \$2,500
200,000		1,005	1,500 - 2,500
300,000		1,305	2,500 - 3,500
500,000		1,805	2,500 - 3,500
700,000		2,305	3,500 - 5,000
1,000,000		3,055	3,500 - 7,500

¹ The cost of appraisal will vary greatly by appraiser and region. Please contact a local appraiser to get an accurate estimate for a limited summary appraisal. Since the price may vary greatly between appraisers, it may be beneficial to contact multiple appraisers.

² Title Insurance is based on what the state of Michigan charges at the time of this writing.

What is the current interest rate?

The current loan rate can be determined by calling (800) 325-8975.

Who sets the current interest rates?

The Loan Fund committee at The Free Methodist Foundation and the Investment Committee of its board of directors review and set loan rates regularly.

OTHER QUESTIONS

How long does it take to get approved for a loan?

Loans under \$250,000 can be processed in approximately four weeks. Loans for more than \$250,000 may take closer to six weeks because they normally involve more steps including board approval. The amount of time to fully process a loan may be reduced through a high degree of responsiveness by the church.

How long does it take to get funding after approval?

After approval you will receive an approval letter with the remaining requirements. The time to complete these requirements varies based on the responsiveness of the church, Title Company, and appraiser. Normally we find that these take around four weeks.

Are there pre-payment penalties?

There is no penalty for paying the loan off early with funds from operations or capital campaigns. We strongly encourage organizations to pay off their loan as soon as possible. However, if the organization refinances the loan with another institution within three years after the closing date, these penalties will be assessed. (See chart to the right)

Percentage of the full payoff amount at the time of the refinance	Within the year the loan was refinanced after the closing date
3%	1st
2%	2nd
1%	3rd

Who should I contact at the Free Methodist Loan Fund?

Joshua Adams, Manager of Loan Fund Ops: 800-325-8975 (toll free) | 517-841-5826 (direct) | jadams@fmfoundation.org
Mark Olson, Executive Vice President: 800-325-8975 (toll free) | 517-841-5803 (direct) | molson@fmfoundation.org

How will we receive money from our loan?

In most cases, the Free Methodist Loan Fund can electronically transfer funds directly into your bank account. Checks can also be mailed.

During construction, is interest charged while the loan is in the draw phase?

Yes, interest accrues daily on the unpaid balance. The ministry is asked to make monthly interest payments while in the draw phase. These payments are applied to interest only. If a payment is received early and the payment is more than the amount of interest that has accrued, the excess will be carried forward and offset the amount of interest due the next month.

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How long are we guaranteed our current interest rate?

The church receives the current rate in effect at the time the entire application is received at The Free Methodist Foundation. If approved, the church will be guaranteed this rate for five years from the date the loan is approved. After five years the loan will be adjusted up or down to the current rate in effect at that time.

When the rate of the loan resets, how is the new rate determined?

The rate generally adjusts to the base rate in effect for new loans at that time. The base loan rate is determined by a wide variety of factors including loan demand, market conditions, and dollars available to loan.

Why do we need society minutes?

In order to receive a release to encumber, society minutes are required by the denomination. If the loan has been authorized by the church board, you will be asked to submit society minutes authorizing the church board to act.

What do the society minutes need to say for a new loan?

When the society of the church votes to approve the loan, the minutes need to specifically state the amount of the loan, the understanding that a lien will be placed on the property, and state the person who is authorized on the behalf of the church to sign any documents necessary. Please see the example below.

“RESOLVED, that [Your Name Here], is authorized to obtain a loan from The Free Methodist Foundation and to grant to the Foundation a mortgage on the property of the ministry for up to [\$the amount], and that the person authorized to sign and deliver the Promissory Note, the Mortgage and any other document(s) needed to consummate the transaction is _____, who is the ministries’ _____ (title).”

ARE THERE ADDITIONAL FEES I WILL NEED TO PAY AT CLOSING?

Yes, the buyer typically is responsible for paying for the title search and insurance, legal fees and recording fees, amounting to an additional 1 percent to 2.25 percent of the total cost of the transaction. On a \$300,000 property, that amounts to another \$3,000 to \$6,750.

Appraisal Fee

Your mortgage lender won't just take the seller's word that the property you're interested in is worth what you're offering to pay for it. Before the mortgage can be finalized, the FMF will arrange for an independent certified appraiser to assess the property value and judge it against comparable recent property sales in the area. Ideally, the amount you'll see in the appraiser's report will be higher than your accepted offer—the sign of an investment that will likely pay off in the future.

What it will cost you: The price tag will vary depending on your location and the size of the property, but \$300 to \$700 is a safe amount to budget.

Inspection

Hiring a certified inspector to examine the interior and exterior (think: roof, basement, heating and water system, air conditioning, plumbing, electric, and foundation) is an optional yet worthwhile expense. These pros specialize in uncovering issues the average person wouldn't notice or even know to look for, like potential fire risks and safety hazards, structures that aren't up to code, or building materials that are no longer recommended.

Why it's worth it: Spending \$200 to \$500 on this walk-through can save you from extremely costly repairs later on. If any problems come to light in the report, you can try to negotiate for these repairs to be made before the sale is completed—at the seller's expense.

Closing Costs

Closing costs—the associated charges for things like underwriting, document processing and other closing fees needed to finalize your loan agreement—can often end up being 2 to 5 percent of the purchase price. You'll also need to account for attorney fees and homeowners association fees if you're moving into a community that has one.

What may be negotiable: Ask your lender for a loan estimate report that will itemize the charges from the bank and other required services that are needed in order to close. Although many of the third-party fees, like a credit report, are set in stone, you can ask if there's any wiggle room on some of the application or processing fees, particularly if it's a bank or lender you already have accounts with.

Insurance

Insurance to protect your property is recommended regardless of whether you're a renter or an owner, but most mortgage lenders typically require it to complete your loan agreement. Plus, depending on where your property is located, your lender may also require additional insurance for flooding, earthquakes or hurricanes.

What to look for: Like mortgage rates, it pays to shop around since homeowner insurance policies can vary in what they cover and how much they'll cost. Look for a comprehensive plan that makes you comfortable, and ask about discounts if you combine it with your auto and life insurance policies.

GETTING YOURSELF PREPARED TO BUY

The importance of conducting organized, concerted efforts to determine all there is to know about a potential investment real estate cannot be understated. A wise buyer intending to invest in real estate conducts an investigation into historic records concerning the property maintained by the seller and local governments, the condition of the property's title, a physical examination of the property, its physical characteristics and infrastructure, and various contracts – such as leases – that affect the property. These due diligence activities maximize the investment decision and minimize post-acquisition risk. The following are some things to consider that will help the process of buying a church much easier and less stressful.

Review of Historical Documents Concerning the Property

- ◆ The title commitment and/or title policy issued on the seller's purchase of the property may disclose former leases and liens.
- ◆ Local government zoning and building files may disclose variances and special use permits that indicate building or use violations and proposed nearby development or redevelopment plans.
- ◆ Local government records of historic permits, licenses and contracts may disclose the presence of hazardous substances and prior uses.
- ◆ A zoning verification letter to confirm current zoning and uses, special use permits and variances can be obtained from local government agencies.
- ◆ Review of online government records can reveal the status of real estate and franchise tax liabilities, operating licenses and construction permits.
- ◆ Seller's policies and procedures manuals can reveal compliance or non-compliance with various laws on employment, taxation, use and other business conduct.

Review of Buyer's Title Commitment and Schedule B Exceptions Described in the Commitment

- ◆ Discloses ownership of the property.
- ◆ Discloses other persons/entities claiming an interest in the property (tenants, easement owners, contractors and lenders).
- ◆ May disclose past or current uses of the property or use restrictions.
- ◆ Discloses recorded development agreements between an earlier developer and the local governments.
- ◆ Discloses litigation involving the property.

Review of an ALTA Survey of the Property

- ◆ When compared against the title commitment, the survey can reveal unrecorded easements, boundary encroachments and adverse possessions.
- ◆ The survey should be "certified" to the buyer, seller (if seller pays for the survey or is the carryback lender), title insurer and buyer's lender. The certification of the registered surveyor is essentially a warranty of the survey's accuracy.

Onsite Property Inspection

- ◆ Discloses the condition of the roof, windows, flooring and mechanical infrastructure.
- ◆ Allows the development of a list of furniture, fixtures and equipment in or on the property and the ownership thereof.
- ◆ Allows a comparison between the actual condition of the property versus the construction plans, engineering and architectural drawings, licenses and permits to identify variations and violations.
- ◆ Determines whether the property has been maintained and inspected periodically.

Review of Contracts, Warranties and Licenses Concerning the Property

- ◆ Maintenance agreements may document the need for and extent of future capital expenditure requirements.
- ◆ Ongoing contracts, such as a property management agreement, landscaping agreement or HVAC maintenance agreement, may be unacceptable to the buyer, and buyer may want them to be terminated at closing.
- ◆ Tenant estoppel agreements obtained prior to closing document whether, and to what extent, a tenant has claims against the landlord/seller for breaches of landlord's obligations under the lease.
- ◆ Warranties on construction of the buildings and equipment may be in effect and can be assigned to the buyer.

Review and Summary of Leases

- ◆ A summary of lease terms is useful to determining the value of the property.
- ◆ A review of the leases will reveal tenant rights to lease extensions, purchase of the property or early terminations of the lease.
- ◆ A review of the leases will reveal the leases' term length and amounts of current and future rentals.
- ◆ Tenant estoppel certificates can confirm that no landlord or tenant defaults exist.
- ◆ A review of the leases can reveal landlord commitments to maintenance, signage, exclusive parking and exclusive use restrictions.



Requirements for Submission of Release to Sell & Permission to Mortgage Applications:

- Please make sure to answer every question on the application form. Typed responses are preferred. Save this fillable document on your computer, be sure to save often. Once it is complete, print out for signatures or use DocuSign.
- Application forms must be signed by the:
 - 1 Lead Pastor (unless there is no located pastor)
 - 2 Conference Superintendent
 - 3 Secretary of Society (if church owned) or the Secretary of the Conference (if conference owned).
- Completed application documents will include:
 - 1 A Completed and Signed Application
 - 2 Copy of the Deed(s)
 - 3 Meeting minutes from local **church**-
 - a. The full BOA or Leadership Team must be made aware of the issue and that a decision is going to be made.
 - b. Statement of the property decision with motion, seconded and carried
 - c. Written minutes showing who was present and what the vote count was on the action.
 - 4 Meeting minutes from the **conference** –
 - a. The full BOA or Leadership Team must be made aware of the issue and that a decision is going to be made.
 - b. Statement of the property decision with motion, seconded and carried
 - c. Written minutes showing who was present and what the vote count was on the action.

Virtual voting may take place if necessary, if all the previous requirements have been met.

Important Note: The best protection and defense is that the denomination/Conference/or local church ALWAYS follow the written protocol when it comes to money, property, or personnel matters.

Once you have gathered all of the documents and have signatures, please scan and email to:
administration@fmcusa.org (preferred method)

or mail the documents to:

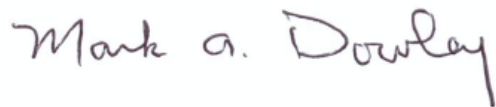
Free Methodist Church - USA

Attn. Administration
770 N High School Rd
Indianapolis, IN 46214

If the documents are incomplete, the process is halted and either the church or the conference will be contacted regarding any missing information.

Please feel free to contact our administration office if you have any questions or concerns regarding the process of selling or mortgaging church-owned property via email: administration@fmcusa.org or call 1-800-342-5531 and ask to speak with my Executive Assistant.

Sincerely,

A handwritten signature in dark ink that reads "Mark A. Dowley". The signature is written in a cursive, slightly slanted style.

Mark A. Dowley
Chief Operating Officer

MD: pb

Application for Permission to Mortgage Church Property FMCUSA

Please Answer All Questions and Include All Documents to Avoid Delays | BoD = Book of Discipline 2019

Date _____

Name of Society _____

Name of Conference _____

1. Who owns, or is in the process of purchasing the property to be MORTGAGED? Local Society Conference

2. Have both the local society **and** the conference board of administration authorized the MORTGAGE of the property? Yes No

a) I have enclosed a copy of the minutes demonstrating approval from **both** the local society and the conference board of administration. (BoD ¶6410.C.F) Yes No

3. What lending institution is providing the MORTGAGE?

4. Is this a first position MORTGAGE? Yes No

5. How will the proceeds of the MORTGAGE be used? Please be specific. (BoD ¶6400.E and F)

6. Have both the local board of administration **and** the conference board of administration approved this plan? (BoD ¶6410.C.F) Yes No

7. Is the title for the property to be MORTGAGED a warranty deed? Yes No

8. Is the property deeded to the organization in its corporate name, or is it deeded to the individual trustees? (BoD ¶6400) Organization Trustees

8. If the organization is incorporated, give corporate name.

9. Does the deed to the property to be MORTGAGED contain the following trust clause "*... in trust for the use and benefit of the membership of the Free Methodist Church of North America ...*," etc.? Yes No

Note: A Permission to MORTGAGE cannot be granted unless the trust clause is included in the deed. Please enclose a copy of the deed. (BoD ¶6400.D)

10. If new property is PURCHASED with the proceeds of the MORTGAGE, will the title thereto include the trust clause referred to in "9" above? (BoD ¶6400.D) Yes No

11. If new property is PURCHASED with the proceeds of the mortgage, will there be a reverting clause in the title?
Yes No

Note: A Permission to Mortgage cannot be granted if there is or will be a reverting clause in the title.
(BoD ¶6400.E)

12. Describe the property to be MORTGAGED: Church Building Parsonage Acres/Lots

Other _____

a) If acres or lots, how many of each? _____

b) Type of building, i.e., brick, stone, stick construction, etc.

c) Address of property being MORTGAGED:

13. Appraised value of property to be MORTGAGED \$ _____

a) Amount expected from MORTGAGED \$ _____

b) Give the legal description of property to be MORTGAGED, enclosing a copy of the deed. (If the legal description on the deed includes more than the property you wish to MORTGAGE; indicate below the portion you want included on the Release to Mortgage. (If it's to be mortgaged in its ENTIRETY, no need to write the description here).

15. If the property to be MORTGAGED is held in the names of the trustees, list names and addresses of the trustees.

16. Signatures approving the MORTGAGE:

a) Pastor in Charge: _____ Signature
_____ Printed Name
_____ Date

b) Superintendent: _____ Signature
_____ Printed Name
_____ Date

c) Secretary of Church Society: (conference secretary if property is owned by the conference.)

_____ Signature
_____ Printed Name
_____ Date

17. What email address(es) do you want the completed and scanned copy of the documents sent to?

18. What physical address do you want the completed document sent to?

Please send a cover letter if more information is necessary to clarify your request.

Please **email** the completed application to: administration@fmcusa.org (preferred method) or mail to:

BOARD OF DIRECTORS
Attn: Administration
The Free Methodist Church - USA
770 N. High School Road
Indianapolis, IN 46214

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