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# Church Loan Policy

## Definitions

**Financial Institution Loan** – A loan or line of credit granted to a Christian and Missionary Alliance church within the Canadian Pacific District (CPD) by a financial institution, either for building and capital projects or operating expenses.

**Loan Development Fund (LDF) Loan** – A loan granted by the CPD from its Loan Development Fund to a Christian and Missionary Alliance church within the CPD for building, property improvements, and other capital projects. The CPD does not grant loans for operating expenses or for covering operating deficits.

## Loan Application Procedure

1. If a church wishes to make an application for either an LDF loan or a loan from a financial institution, it must first complete a Loan Application Form (see **Appendix A**) and submit it to the District Office for Finance Committee and/or District Executive Committee (DEXCOM) approval.
2. The following should be submitted together with the loan application:
  - a) Church financial statements for the previous three years
  - b) Current year's budget (operating, capital, etc.)
  - c) In the case of a building or property improvement loan, a detailed report with supporting documentation, including all costs, outlining the project being proposed and including, wherever possible, more than one estimate.
  - d) A cash flow projection indicating how the loan will be serviced.
3. Approval will not be granted until a special resolution requiring approval by no fewer than a 2/3 majority of church members has been submitted to the District Office.

## Loan Approval

1. For general-use loans or lines of credit from a financial institution, the Finance Committee is authorized to approve a maximum amount of indebtedness of \$250,000 as set by DEXCOM.<sup>1</sup>

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<sup>1</sup> Per the *DEXCOM Policy Governance Manual*, 4.4.12.1 and 4.4.12.2. In the case of any conflict or difference between the *DEXCOM Policy Governance Manual* and this document, the Manual shall be considered the correct version.



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2. For a church building expansion or improvement project, the Finance Committee is authorized to approve a loan of up to 100% of the total project cost or 75% of the total equity of existing church properties plus the project cost, whichever is lower (see the examples in **Appendix B**).
  3. For a church that does not own any real property at the time of a loan application, the Finance Committee is authorized to approve a loan of up to 75% of the proposed project cost.
  4. The maximum amortization period is 15 years. Any increase to this period must be approved by DEXCOM.
  5. The Finance Committee is authorized to approve a maximum church building loan amount of \$1,000,000. Any loan amounts above \$1,000,000 must be approved by DEXCOM.
  6. Should actual project costs exceed what was originally planned for and the loan required turns out to be higher than the amount originally applied for, the District Superintendent is authorized to approve an incremental loan up to 10% of the loan amount originally applied for. Any amount exceeding that must be approved by DEXCOM.
  7. Approval of a loan application means approval of the indebtedness; it does not automatically guarantee the availability of the loan funds.

## **Terms & Conditions**

The following terms and conditions apply to all LDF loans:

- a) Blended payments of principal and interest must be made monthly.
- b) A church can choose to prepay all or part of the loan at any time without notice or penalty.
- c) Interest rates are revised twice per year in accordance with current market trends.
- d) If the assessed value of the property falls below the amount of the remaining loan balance, the District reserves the right to recall the loan.
- e) If a church defaults on the stipulated blended payments for three (3) or more months, the District reserves the right to recall the loan.
- f) All agreements for loans from a financial institution are to be signed by authorized signatories of the District unless the property is legally owned by the church.



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- g) Should the church for any reason cease to be a member of The Christian and Missionary Alliance in Canada, both the financial institution and LDF loans will become due and payable immediately, unless otherwise approved by DEXCOM.

### **Amendments**

March 2016  
December 2017  
January 2021  
December 2022



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## Loan Application Form

Name of Church/Organization

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Contact Person(s) for the Project

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Telephone

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Email

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### Required Documentation:

- Previous three (3) years' financial statements
- Current year budget
- Project outline report
- Project cost estimates
- Document indicating city bylaws met
- Cash flow projection

**Note:** Additional documentation may be required by the Finance Committee.

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**Amount of Indebtedness Requested:**

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\_\_\_\_\_  
**Authorized Applicant Signature**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Name**

\_\_\_\_\_  
**Position**

**Amount of Indebtedness Approved:**

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## Church Building Expansion Project Finance Committee Approval Limit

### Example 1

	Proposed Project	Existing Building	Total
<b>Value</b>	\$500,000	\$1,000,000	
<b>Loan Outstanding</b>		\$ 700,000	
<b>Equity</b>	\$500,000	\$ 300,000	\$800,000

75% of the total equity of the existing building plus the proposed project cost equals \$800,000 x 75% = \$600,000

The maximum indebtedness the Finance Committee can approve is therefore \$500,000, i.e. the lower of the project cost and 75% of the total equity plus project cost.

### Example 2

	Proposed Project	Existing Building	Total
<b>Value</b>	\$1,000,000	\$1,000,000	
<b>Loan Outstanding</b>		\$ 700,000	
<b>Equity</b>	\$1,000,000	\$ 300,000	\$1,300,000

75% of the total equity of the existing building plus the proposed project cost equals \$1,300,000 x 75% = \$975,000

The maximum indebtedness the Finance Committee can approve is therefore \$975,000, i.e. the lower of the project cost and 75% of the total equity plus project cost.



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## Appendix C Loan Agreement

The Christian and Missionary Alliance – Canadian Pacific District (the Lender) and \_\_\_\_\_ (the Borrower), an unincorporated congregation of the Lender, hereby enter into this loan agreement the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

### Amount of Loan

The Lender shall loan to the Borrower the sum of \_\_\_\_\_ dollars (\$\_\_\_\_\_) (the Loan).

### Term

The Lender agrees to loan to the Borrower for a term not exceeding \_\_\_\_\_ months, at the expiration of which the Borrower must repay the entire amount of the Loan including any outstanding interest unless otherwise agreed by the Lender in writing.

### Interest

The Borrower shall pay to the Lender simple interest on the unpaid balance of the Loan at the rate of \_\_\_\_\_ percent (\_\_\_\_%) per annum. The interest rate shall be revised by the Lender on May 1<sup>st</sup> and November 1<sup>st</sup> of every year and the Lender shall provide any revision to the interest rate to the Borrower.

### Payment Terms

Principal and interest payments shall be due on the first day of each month and made by equal instalments of \_\_\_\_\_ dollars (\$\_\_\_\_\_) and applied first to interest and then to the outstanding principal balance of the loan.

### Prepayments

Should the Borrower at any time choose to make early repayment on part of or the entire balance of the Loan, no penalty or other fees shall be charged to the Borrower for doing so.



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## Loan Default

Should the Borrower default in payment of principal or interest, the Lender reserves the right to call the entire balance of the Loan, which becomes due immediately. The Borrower is considered in default if a monthly payment is overdue for more than a month.

## Governing Law

This Loan Agreement shall be construed in accordance with and governed in all respects by the laws of Canada and the Province of British Columbia.

## Successors and Assigns

This Loan Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

## Entire Agreement

This agreement constitutes the entire agreement of the parties and supersedes all prior or contemporaneous oral or written agreements concerning this subject matter.

IN WITNESS WHEREOF, the parties have executed this Loan Agreement on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**Lender**

**Borrower**

\_\_\_\_\_  
Authorized Signatory

\_\_\_\_\_  
Authorized Signatory

