

DIOCESE OF BISMARCK EXPANSION FUND

LOAN POLICY and GUIDELINES

Approved November 2010

Purpose & Objectives:

The Expansion Fund (Fund) serves as a source of financing for capital projects and facility improvements to qualified institutions with competitive terms. The source of funds for loans extended by the Expansion Fund consists of parish funds deposited with the Expansion Fund for investment.

Board Responsibility:

It will be the responsibility of the Expansion Board (Board) to be primarily a loan guarantor, with the Fund available to originate loans. In the case of originating loans, the Board will review loan applications, approve loans, and establish terms. The Board will be responsible for ongoing periodic loan reviews, authorizing changes in terms, and determining charge offs. On a quarterly basis the board will review the deposits, cost of funds, and investment returns of funds held with the Expansion Fund, the known needs of the depositors, and the status of the loans outstanding to determine appropriate investments and the availability of funds for lending. Quarterly, the board will review the costs of funds and adjust loan rates for each loan based on its anniversary date. (Rates for loans made prior to July 1, 2010, will be adjusted each July 1). The board will determine and monitor an appropriate ratio of funds loaned to total deposits held.

Diocese / Finance Office Responsibility:

Duties of the Finance Office of the Diocese of Bismarck are outlined in the Agreement between the Expansion Board and the Diocese of Bismarck effective July 1, 2008.

Eligibility: (participants and projects)

Loans will be made only to institutions of the Roman Catholic Church of the Diocese of Bismarck. No loans will be made to individuals. Loans are available to parishes and schools for renovation projects, capital improvements, major repairs, or new construction. The parish must have already followed the guidelines, for approval, currently in place by The Building Process Policy and the Resolution Procedure (Proxy), included in the Canonical Manual. Loans for parish or school operations will not be considered.

Application:

Loan requests for eligible projects are to be submitted to the Finance Office in writing. See Schedule A - Loan Application and Guidelines. A completed copy will be forwarded to the Chancery. Forms must be completed and initially reviewed by the Finance Office for completeness. The Finance Office will present the loan request to the Expansion Board.

The following factors will be used in the analysis of all loan requests:

- i.* Availability of Expansion Funds.
- ii.* Ratio of Expansion funds currently loaned to deposits.
- iii.* Existing debt of the borrowing parish ó Are required principal and interest payments being made on time? Are there past due accounts payable (insurance, priest's retirement, etc.)?
- iv.* Ability of the borrowing parish to service the new debt that would result from the loan being requested.
- v.* Participation of parish per the deposit policy requiring funds in excess of 90 days operations to be deposited with the Expansion Fund.

Terms:

1. All new loans issued by the Expansion Fund of the Diocese of Bismarck will be variable rate loans. Rates will be adjusted annually, effective on the anniversary date of the original promissory note. See Schedule B ó Current Loan Rates

2. Loan rates will be determined by adding 2% (two percent) to the trailing twelve months (based on rolling four quarters) cost of funds for the Expansion Fund. Notification of a change in the interest rate on a loan will be given at least 15 days prior to its effective date.

3. All loans shall require monthly or quarterly payments of interest and principal. The amount of the payment will be determined by the amount borrowed, interest rate accessed by the Board and the length of the amortization schedule. Loan amortization schedules can not exceed 20 years. All payments will be applied to interest first, and principal second on the date payment is received. Any exceptions to standard loan terms must be documented and agreed upon by the Board.

4. Parishes and Schools having money on deposit with the Expansion Fund may use their deposit as collateral for a loan. Such a secured loan will be made at an interest rate of one percentage point greater than the rate that the Expansion fund is paying on the deposit used for collateral.

Requirements for ongoing internal loan review:

Minimally there will be the quarterly report from the finance office and the parish will submit an annual detailed report, regardless of size or payment history. If the borrower shall default in any installment payments, the Board may at its election and without further notice declare the entire unpaid balance and remaining installments forthwith due and payable.

Diocese of Bismarck Expansion Fund Loan Application & Guidelines ó Schedule A

- 1) Detailed Summary - Attach a detailed summary of the project, including a statement of support from the Parish/Finance Council, copies of the Resolution (Proxy) and the information submitted to the Building Commission. Include
 - a. Impact of the project on the Mission and Ministry of the Parish
 - b. Planned time line of construction date, estimated completion date, timing of loan fund proceeds
 - c. Individuals to be contacted for additional information
 - d. Loan request and preferred terms.

- 2) The Expansion Board requires 50% of the projected cost to be held in hand by the parish and 50% to be pledged.

- 3) Financial Data Required ó complete Balance Sheet and Income Statement for the current and prior three years. Include detail on all funds under control of the parish or school, including endowment funds, trusts, and the total currently invested with the Expansion Fund.

- 4) Business Plan ó include a narrative explaining the specific use for the requested funds. The plan will include 2 years of projected financial statements (including cash flow) and any assumptions used in developing your projection. Include
 - a. The funds in place and pledged; identify any current parish resources that will be dedicated to the capital costs.
 - b. Capital improvement budget with details of the estimated or bid costs
 - c. How the borrowed funds will assist the project's timeframe
 - d. How the borrowed funds will be repaid including repayment sources and duration of repayment period

- 5) Capital Campaign ó If a campaign is planned as part of the funding source and the campaign will be outsourced, identify the third party fund raising organization that will be hired to conduct the campaign and attach a copy of their feasibility study.

If the campaign will be done within the parish, attach a narrative explaining how the campaign will be managed, the anticipated time line of goals, identify the key parish workers and their fund raising experience.

Details, whether outsourced or in parish, of the campaign timetable, estimated costs of fund raising and estimated major gifts and parish support should be included.

- 6) The Board meets quarterly. An application, in order to be presented to the Board, should be sent to the Fiscal Office at least two weeks prior to a Board meeting. The Board may require an oral presentation.

If the loan is approved, a Promissory Note with a repayment schedule will be generated by the Fiscal Office.

Diocese of Bismarck Expansion Fund
Current Loan Rates ó Schedule B

Variable Loan Rate

The variable loan rate is established quarterly as 2.0% above the cost of funds. The current loan rate as of December 31, 2010, is 4.26%.

Cost of Funds Calculation

Cost of funds is calculated on a rolling 12 month basis. It is the total interest paid to deposit holders over the last twelve months divided by quarterly deposits, averaged over the last four quarters.