



## Request to Encumber

### Guidelines

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#### Statement of Process

The Book of Order of the Presbyterian Church, USA, requires that the Pittsburgh Presbytery receive and review for approval all proposals for the mortgage of property of a congregation.

#### Book of order

G-4.0206

Selling, Encumbering, or Leasing Church Property

a. Selling or Encumbering Congregational Property

A congregation shall not sell, mortgage, or otherwise encumber any of its real property and it shall not acquire real property subject to an encumbrance or condition without the written permission of the presbytery transmitted through the session of the congregation.

When a congregation seeks approval for a transaction, each application is considered on its own merits:

- ✦ The evaluation is made to ensure that the congregation has sound advice, that it has considered the impact of the transaction on its ministry and witness, and understands all relevant risks that inevitably are associated with any business transaction.
- ✦ Permission is usually granted for proposed transactions if the congregation can afford it, and if the risks are understood, evaluated and deemed reasonable.
- ✦ **Presbytery expects that a congregation be able to repay any loan assumed in a fashion that will enhance, rather than diminish, the congregation's resources for ministry.**

When a congregation submits an application for approval of a loan, it shall submit a statement signed by its Moderator and Clerk of Session affirming that the Session understands and agrees to these guidelines for loan approval, in the following form:

*The session of (insert name of congregation) of (location), Pennsylvania, has reviewed the guidelines for loan approval and understands and agrees to these guidelines.*

Please note that the Pittsburgh Presbytery will not guarantee any loans for our congregations.

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## **How to submit**

All requests must be reviewed by the Finance Committee of the Presbytery. Requests are to be submitted to the Business Administrator of the Presbytery no later than *two weeks prior* to the next regularly scheduled meeting of the Finance Committee.

The application is available by request from the Presbytery office, or, you may visit the Presbytery web site and locate the application in the forms area. The online application and guidelines may be printed out for your use. Your completed application may be submitted via email in a PDF format or you may mail the application to the Presbytery office. Applications must have all necessary supporting documentation when received. Should there be a need for further information, or, if there are additional questions, you will be contacted by the Business Administrator by telephone or email.

## **Review process**

An initial review of the application and information will be performed by the Business Administrator who shall then make a recommendation to the Finance Committee. After review by the Finance Committee, the request will be forwarded to the Executive Committee of the Presbytery for review and approval, and then to the floor of the Presbytery for final approval.

## **Timeline**

All applications must be received at least two weeks prior to the next scheduled Finance Committee meeting. This is so that there will be sufficient time for a complete review of the documentation and to allow for any further questions and/or time to receive any further documents as requested.

The review process may take up to 3-4 months to complete due to the timing of the meeting schedules. Please make sure to check with the Presbytery office to verify the schedules. You may also check the scheduled meeting dates by visiting the Presbytery web site and navigating to our calendar.

## **Requirements & Information**

The requests for information on the application form are all necessary and required. Incomplete or missing information will delay the review process. The Finance Committee may request such information as it may determine is necessary to enable it to fulfill its constitutional function. Applications cannot and will not be reviewed if the information received is incomplete or inaccurate. The review will look closely at the recent financial history of the congregation, including general fund ending balance for the past three years, the ratio of total envelope receipts to active membership totals, the level of outreach being supported by the congregation, the total of the available unrestricted net assets, and plans for a capital campaign. All current and prior financial obligations must have been met or budgeted for through regular giving or past capital campaigns.

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Requests from a congregation for an approval of a loan that encumbers real property of the congregation are to be accompanied by written information from which the may reasonably conclude that the congregation demonstrates, both historically and prospectively, a significant commitment to the life, mission, and ministry of the Presbyterian Church (USA), and recognizes and appreciates the unique connectional relationship that exists among individual congregations and more inclusive councils of the church.

## Construction Loans

Requests to encumber for purposes of a construction project will require that the following items be included:

- ✦ New Construction
  - Contingency of at least 5%
  - Use of an architect
  - Retainage on the contract of at least 5%
  
- ✦ Remodeling
  - Contingency of at least 15%

## Preliminary Analysis

Before a formal loan request may be submitted to the Finance Committee, a Preliminary Loan Analysis will be made by the Business Administrator to evaluate the capacity of the congregation to fund a project before they get too far along in the project design phase. This analysis will help the congregational leaders get a snapshot of how much debt the congregation can handle and, even more importantly, how much debt would be comfortable without sacrificing mission and ministry opportunities.

Please make sure that the following list of items and documents are included:

<p>Brief Description of the Proposed Project</p> <p>Congregational Statistics:</p> <ul style="list-style-type: none"> <li>• Membership</li> <li>• Attendance</li> <li>• Giving Units</li> </ul>	<p>Preliminary Estimate of Cost</p> <p>Financial Statements:</p> <ul style="list-style-type: none"> <li>• 3 Years of Annual Reports</li> <li>• Current End of Month Report</li> <li>• Statement of Financial Position - Balance Sheet</li> </ul>	<p>Plan for Retirement of Loan (campaign)</p> <p>Loan Information:</p> <ul style="list-style-type: none"> <li>• Financial Institutions</li> <li>• Rates</li> <li>• Commitment Letters</li> <li>• Length of Term</li> </ul>
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## Request to Encumber or Mortgage

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### Church Information

Church Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ Zip: \_\_\_\_\_

Church Phone: \_\_\_\_\_

Web Site: \_\_\_\_\_

Email: \_\_\_\_\_

### Congregational Statistics

Year Founded: \_\_\_\_\_

Total Membership: \_\_\_\_\_

Giving Units: \_\_\_\_\_

Average Attendance: \_\_\_\_\_

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### Contact Information

Pastor: \_\_\_\_\_ Telephone: \_\_\_\_\_

Email: \_\_\_\_\_

Chair of Finance: \_\_\_\_\_ Telephone: \_\_\_\_\_

Email: \_\_\_\_\_

Treasurer: \_\_\_\_\_ Telephone: \_\_\_\_\_

Email: \_\_\_\_\_

Other: \_\_\_\_\_ Telephone: \_\_\_\_\_

Email: \_\_\_\_\_

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**Reason for Request**

(please check all that apply)

Building Project

Renovations

Refinance

Other

Description of the Project:

( Please give a brief description of the proposed project. )

Project Scope:

( Please list the various segments or areas of the proposed project. )

Summary of Project Costs:

Schedule:

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**Financial Information**

Total Project Budget \$ \_\_\_\_\_ Amount to be Financed \$ \_\_\_\_\_

Annual Operating Budget \$ \_\_\_\_\_

What is the total of funds (cash) that are designated for the project now? \$ \_\_\_\_\_

Do you have other Designated Funds that will be used for the project? \$ \_\_\_\_\_

What is the estimated available funds from a Capital Campaign? \$ \_\_\_\_\_

Will there be any other source of funds? \_\_\_\_\_ Yes \_\_\_\_\_ No  
If "Yes", from where? \_\_\_\_\_

What is the expected dollar amount of these funds? \$ \_\_\_\_\_

Please attach the following financial reports:

- 3 years of annual reports
- Most recent monthly operating fund report of current fiscal year
- Current Balance Sheet

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**Capital Campaign Plans - or other plan for repayment**

Capital Campaign Planned? \_\_\_\_\_ Yes \_\_\_\_\_ No

If "Yes", what is the date of the campaign kick-off? \_\_\_\_\_

What is the estimated dollar amount to be raised? \$ \_\_\_\_\_

How long will the campaign be? \_\_\_\_\_ 1 Year \_\_\_\_\_ 2 Years \_\_\_\_\_ 3 Years \_\_\_\_\_ Other \_\_\_\_\_  
(please list)

Are you or will you be working with a campaign consultant? \_\_\_\_\_ Yes \_\_\_\_\_ No

If you are not holding a capital campaign, please explain how the loan will be paid for: \_\_\_\_\_

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**Loan Information**

Please list the financial institutions that you have or are planning to apply for a loan to:

1. \_\_\_\_\_

Date Applied: \_\_\_\_\_  Approved Rate: \_\_\_\_\_ % Terms: \_\_\_\_\_ Months

2. \_\_\_\_\_

Date Applied: \_\_\_\_\_  Approved Rate: \_\_\_\_\_ % Terms: \_\_\_\_\_ Months

3. \_\_\_\_\_

Date Applied: \_\_\_\_\_  Approved Rate: \_\_\_\_\_ % Terms: \_\_\_\_\_ Months

Please attached all commitment letters received to date.

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The Session of the \_\_\_\_\_ Presbyterian Church  
of \_\_\_\_\_ Pennsylvania, in transmitting the foregoing request of the  
Board of Trustees, certifies that the Congregation at a  REGULAR  SPECIAL-CALLED  
meeting held on \_\_\_\_\_, 20 \_\_\_\_\_, and approved the foregoing proposed  
transaction.

*The session of (insert name of congregation) of (location), Pennsylvania, has reviewed the  
guidelines for loan approval and understands and agrees to these guidelines.*

(Signed) \_\_\_\_\_  
Clerk of Session

Date: \_\_\_\_\_

(Signed) \_\_\_\_\_  
Moderator of Session

Date: \_\_\_\_\_