

# CHURCH LOAN PROGRAM

This program is administered by the Trustees of the Baptist Foundation. Earnings and interest received from the fund are used to support the Convention's ongoing work of starting and strengthening churches

## Qualifications for a Loan

**Denominational Loyalty.** Churches applying for loans must be loyal to the denomination. Such loyalty will be evidenced by fellowship and cooperation with an association of Southern Baptist Churches and the Baptist Convention of Maryland/Delaware, along with consistent participation in the Cooperative Program through BCM/D.

**In the event a church ceases to cooperate with the Baptist Convention of Maryland/Delaware, as described above, the remaining indebtedness will become due and payable on call.**

**Church Budget.** Churches applying for loans must have a written budget plan which is adopted at least annually by congregational action and must give evidence of a consistent pattern of church finance.

**Location and Need.** Churches applying for loans will be located in communities which represent opportunities for building and maintaining a church. Churches will provide ample parking space and will comply with city, county, and state fire codes and building regulations. Priority will be given to new work.

## Loan Information

- Loans will be secured by a first mortgage on real estate owned by the church.
- The total amount loaned to a single church will not exceed \$600,000.
- Loans are five-year ARMs (adjustable rate mortgages) and may be made for a period of up to 15 years. Rates for each five-year period will be based on the prevailing five-year T-bill rate, plus 2.5% rounded up to the nearest .25%.
- A small loan application fee of .25% of total loan (minimum of \$250) will be applied to each loan.
- An amortization schedule will be provided to each borrower.
- Prepayment of the principal may be made at any time without penalty.

- Monthly loan installment payments will be made to the Baptist Foundation of Maryland/Delaware, due and payable on the 1st day of each month. Payments received after the 10th of the month are considered late
- If payment is not received on the due date, accrued interest on the unpaid balance will be included in the amount required to bring the loan to current and good standing.

## Loan Process

1. All applications for church loans will be made on forms furnished by the Foundation and the information provided by the church must be current and complete.
2. An inspection of real property and improvements to be used as collateral for the loan will be conducted by the Foundation prior to the approval of any loan. **This inspection is not to be construed as approval that the premises are in compliance with laws, rules, and regulations dealing with environmental matters.** The Foundation may require that a professional environmental study be conducted at borrowers' expense.
3. Final approval or disapproval of loan applications will be made by the Foundation trustees
4. When a loan has been approved, the church will be provided a formal letter of commitment by the Foundation specifying terms of the loan. This letter of commitment will be in effect for six (6) months. The loan commitment may be revoked if a material change in the loan application information occurs prior to closing.
5. No loan will be made in excess of eighty (80) percent of the fair market value of the property offered as security, including new construction, as determined by an approved appraisal.
6. No loan will be made where installment payments on church indebtedness, including payments on the Foundation loan, exceed twenty-five (25) percent of the church's annual budget receipts for each of the past two years. Churches receiving loans must agree not to increase indebtedness beyond the twenty-five (25) percent debt limit without written permission from the Foundation. **Failure to secure such written permission may result in the loan becoming due and payable on call.**
7. When churches are securing loans to purchase existing buildings or land for future expansion, the Foundation will pay the amount of the loan to the church only after all terms and provisions for purchase of the property have been fulfilled

by both the church and the seller, and evidence of compliance is provided by the church.

8. Churches receiving loans will, at their own expense, furnish a mortgage title policy issued by a title insurance underwriter. This insures that no loss will be sustained by the lender by reason of defect in the title to the property given as security for the loan. When the loan is approved and a letter of commitment has been issued, the borrower will make application for such mortgage title policy.

9. Churches will keep properties mortgaged to the Foundation insured for fire and extended coverage (including flood insurance if in a flood zone) during the existence of the loan, for a sum equal to an amount necessary to protect the loan. The policy will contain a clause making any loss, payable to **Baptist Foundation of Maryland/Delaware, Inc., Trustee**. The Certificate of Insurance will be presented to the Foundation at the time the loan is closed.

10. The loan will be closed only after final inspection is made and approved by the Foundation representative, title policy requirements are satisfied, and proof of insurance coverage is provided.

11. The church will pay for the recording of the mortgage and other expenses involved in completing the transaction.

12. Any exceptions to the above must have the approval of the Baptist Foundation Board Trustees and the Administrative Committee of the Baptist Convention of Maryland/Delaware.

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