

CHURCH EXTENSION INVESTORS FUND

45 South Park Boulevard, Suite 203
Glen Ellyn, IL 60137
1-800-543-CEIF

THE PURPOSE OF CEIF:

MISSION: Our mission is to assist churches with facilities development – helping them respond to God’s call to make disciples.

VISION: CEIF envisions funds for loans will continue to grow at a rate that will enable the NAB to expand their facilities and ministries while maintaining financial integrity.

KEY RESULT AREA: LOANS TO NAB MINISTRIES

We envision NAB ministries receiving the loans they need in a timely manner, relative to our ability to fund them.

KEY RESULT AREA: INVESTMENTS

We envision providing opportunities to participate financially in NAB Ministries’ disciple-making.

THE PURPOSE OF THIS DOCUMENT:

The purpose of this document, “CEIF Loan Procedures”, is threefold:

- 1) Inform interested people of CEIF’s loan policies and procedures;
- 2) Assist loan applicants in meeting CEIF’s requirements; and
- 3) Provide CEIF with a framework for consistent communication of its loan policies and procedures.

TERMS AND CONDITIONS:

Church Extension Investors Fund (CEIF) loans will only be made to member churches of the North American Baptist Conference (NABC) or affiliated organizations who have been **legally incorporated**.

Title to the property offered as security must be in the name of such corporation. CEIF loans are made on a **mortgage basis**. Generally, they are first mortgages.

An **environmental assessment or affidavit** for the property may also be required.

The **maximum loan amount** will be the lesser of (1) 80 percent of the improvement of construction costs; or (2) 100 percent of the borrower’s repayment potential as determined by CEIF.

The first term of all loans is (3) **three** or (5) **five** years and amortized over a maximum period of twenty-five years. These terms have two purposes:

1. Provide a regular review of the interest rate to keep them synchronized with the rate paid by CEIF to its investors.
2. Review the repayment potential of the church. If desired by the church, the loan can be amortized over a shorter period of time.

The CEIF Loan Committee will determine the **interest rate** at the time the loan is approved. During the construction phase of a project the interest rate will be due monthly, calculated from the outstanding balance.

Draw downs/advances are to be completed within one year of the initiation of the loan, with extensions to this period available.

Each loan will be subject to a **loan processing fee withheld from the first disbursement** intended to help defray the expenses incurred by CEIF in connection with the processing and administration of that loan. The loan fee is computed as follows:

For long-term loans:

- \$1,000 minimum
- 1% of the first \$1,000,000
- 1/2% on amounts over \$1,000,000

For short-term loans:

- 1/2% with the \$500 minimum

The loan commitment will expire 120 days from the date of CEIF's written loan commitment. If disbursements have not yet commenced after 120 days, a fee of one-half of one percent (.5%) per month will be required to extend the commitment. **All funds must be disbursed within 12 months after first distribution, unless prior agreement is reached.**

Any prepayment of this loan with funds obtained by Borrower **from a third party lender** shall be subject to a prepayment charge of two percent (2%). Borrower may prepay principal, in whole or in part, at anytime without penalty from the contributed income of the church. The loans will be subject to acceleration in the event of default or in the event the borrower's affiliation with NABC terminates. Should the loan go into default status the interest rate may increase to a maximum of 17%.

Interest is calculated daily on the amount of funds disbursed. Payment of interest commences and is due on the first day of the month following the first disbursement. A monthly interest notice will be sent to the church indicating the payment due and thereafter until all loan funds have been advanced. At that time, CEIF recommends that the church authorize a monthly draft on its account in the amount of the monthly (P & I) payment.

The need for a loan should be anticipated well in advance, as experience has proven that implementation and the preparation of documents require up to six weeks. A church should not assume approval of their loan request, neither sign contracts nor commence construction. Typically, it will be two months from application to approval of construction.

CEIF requires that churches receiving a loan make their best effort to encourage the purchase of CEIF investments of **one year or longer** to be received for a percentage of the loan request. That percentage is set at the time the loan application is approved based upon the current availability of funds. In the past, the request has been between **50-100 percent**. To assist in attaining this goal, CEIF recommends the church appoint a Representative. Presently, approval of a loan application is not based upon church investments or a CEIF Representative being appointed.

Each **CEIF investment** is processed and handled in a confidential manner. No individual in the church should feel that they must reveal to anyone else the amount that they have invested. CEIF will keep the local church informed as to the total amount of investments received. Also, if it is necessary to request redemption, only the CEIF office needs notification.

STEPS OF IMPLEMENTATION:

The following is an outline of the steps involved when applying for a CEIF construction loan. If you have any questions or comments, please contact Les Collins at 1 South 210 Summit Avenue, Oakbrook Terrace, Illinois 60181 or call 1-800-543-CEIF.

1. Complete Facility Planning and Schematic Design

The first and most important step in a church building program is a survey of the needs of the congregation, community and future ministries that the church wants to provide.

For projects with a total cost over \$1,000,000, the church, at their expense, must provide an appraisal.

The next logical step is to hire an architect to design facilities that will meet these needs and ministries.

As a condition for a CEIF loan, no contracts can be entered into until step 2 below is completed and a CEIF loan commitment has been issued.

All loans are for a first position only unless specifically stated in the commitment letter that they are not.

2. Feasibility Study and Planning Weekend

a. **Establish estimated cost of building**

It is important that after the schematic drawings have been completed and accepted by the congregation that the architect give his opinion of the estimated cost of building. Sometimes it is helpful to have one of the general contractors who might bid on the building work with the architect in establishing the cost.

When calculating the total project cost, please do not forget to include the cost for a Builder's Risk Policy, interest payable during construction, CEIF loan fee, legal fees, etc.

b. Gather background information and complete loan application

It is important for the church to provide CEIF with an operational and financial plan, which will prove sufficient resources to support its loan application.

c. Planning Weekend

Based on the information gathered as to the cost of building, operational plans and financial needs, the church must contact CEIF to set a date for when CEIF can meet with the church for a Planning Weekend.

Prior to this Weekend, the application should be completed. This consultation visit with the local church is an important step. The purpose of this consultation is:

- (1) Accurately communicate to the church CEIF's procedures in financing the project, and to provide two-way communication of the process;
- (2) Gather sufficient data from the local church to present the application to the CEIF Loan Committee;
- (3) Provide a common base of understanding of the information upon which the Loan Committee will make its decision;
- (4) Plan the solicitation of the necessary investments.

d. Raise capital funds

As a part of the commitment or prior to the issuance of a commitment by CEIF, the church **should conduct a capital funds campaign**. The response to the capital funds campaign will have a major impact on the decision of the Loan Committee.

e. Issue loan commitment

Based on the application and information, the CEIF Loan Committee will issue a loan commitment for a stated amount and interest rate. The commitment is contingent upon receiving final bids indicating that the sources of funds are equal to the final cost of construction.

In their review and analysis of a loan, the Loan Committee may from time to time attach additional contingencies to a particular loan, i.e. raising capital funds, payment guarantees, etc.

3. For New Construction - Bidding the Project

CEIF strongly recommends that the church bid the job to a general contractor on a fixed cost for the completed project. When the process is bid to a general contractor on a fixed cost basis, it will be just a short period after the bidding that CEIF will authorize the church to proceed with construction.

The document soliciting the bids should include the payout procedures outlined further in step 4. It should include:

- a) Architectural supervision
- b) Disbursements through Chicago Title & Trust Company
- c) Hold backs of ten percent until substantial completion.

CEIF does not recommend construction management or self contracting. Our experiences with construction management or self contracting has often shown large cost overruns. Larger churches and commercial organizations may have sufficient financial strength to absorb these possible overruns.

If self contracting or construction management is used, the church will have to completely bid and contract with subs and suppliers before CEIF will authorize construction. This method may be very time consuming. This requirement is based on our experiences with self contracted and/or construction management projects.

NO CONTRACTS FOR SITE WORK, MATERIALS OR CONSTRUCTION CAN BE SIGNED WITHOUT PRIOR AND SPECIFIC APPROVAL FROM CEIF.

4. a.) Legal Documentation and Payout Procedures – United States

CEIF will prepare most of the loan documents in order to save the church extensive legal fees. If available, we suggest the church have their attorney review these documents. A survey and title policy may be required. Expenses for these are additional to the documentation fee. All legal work and documentation must be completed before construction can commence. This includes a copy of your Builder's Risk Policy.

CEIF strongly recommends that the church have architectural supervision during construction. Disbursements to the contractor will be made through Chicago Title Company (where feasible). CEIF has established a national agreement with Chicago Title. Where allowed under law, a discount will be granted.

A three-way escrow agreement will be opened between Chicago Title, the church and CEIF. The purpose of this escrow is to safeguard the church and CEIF against liens during the construction period. The arrangements for such an escrow agreement can be made after the approval of the loan.

On a monthly basis, the contractor should submit to the architect a Contractor's Application covering the work completed on the project during the prior month. **The request for payment should provide for a minimum of ten percent hold back.** Attached to this form should be completed waivers of lien for all work completed.

The architect should then sign the certificate for payment confirming that the work has been inspected and approved.

Each request for payment should then be reviewed and initialized by two authorized members of the building committee who have reviewed the construction with the architect and are convinced that the work has been completed for the requested payment. Although these individuals should rely on the professionals involved, (architect and contractor), they should satisfy themselves to the best of their understanding and knowledge that the work has been completed.

b.) Legal Documentation and Payout Procedures – Canada

It is important for you to secure the services of a solicitor who is competent to handle mortgage loan transactions. Submit all documents to Mr. Les Collins, 45 South Park Boulevard, Suite 203, Glen Ellyn, IL 60137. All documents are to be made in favor of Church Extension Investors Fund, Ltd., an Alberta company with official offices in Calgary, Alberta and a mailing address of 45 South Park Boulevard, Suite 203, Glen Ellyn, IL 60137. All legal work and documentation must be completed before construction can commence. This includes a copy of your Builder's Risk Policy.

CEIF strongly recommends that the church have architectural supervision during construction.

In addition, CEIF requires that the disbursement of the loan be handled by your solicitor, under the applicable lien laws of the Province, guaranteeing the title to be free of liens after each payout. Please have your solicitor outline in writing to CEIF the procedures to be followed in making payouts.

Each request for payment should then be reviewed and initialized by two authorized members of the building committee who have reviewed the construction with the architect and are convinced that the work has been completed for the requested payment. Although these individuals should rely on the professionals involved, (architect and contractor), they should satisfy themselves to the best of their understanding and knowledge that the work has been completed.

5. Construction Authorized

Based on the cost of construction and the available funds, CEIF will provide authorization to proceed with construction.

NO CONTRACTS FOR SITE WORK, MATERIALS OR CONSTRUCTION CAN BE SIGNED WITHOUT PRIOR AND SPECIFIC APPROVAL FROM CEIF.

CEIF will make payments for completed construction as it progresses. The church will be charged the stated rate of interest on each disbursement from the date of disbursement and will be billed on a monthly basis on the first of the month following the first payout.

6. Monthly Payments

Although the interest on the disbursements toward the end of the construction period will closely approximate the monthly payment, the stated payment on the Mortgage will commence on the first of the month after substantial completion of construction of the building.

For ease in processing, CEIF requests that each church authorize CEIF to draft their account each month for the amount of the payment. Payments are due and payable on the first day of each month unless otherwise agreed upon. Each payment is applied first to unpaid collection costs, then to any late charges, then to any accrued interest and lastly to principal. If sufficient funds are not available in the church's account, the church may use the CEIF Toll Free Customer Service line (1-800-543-CEIF) or e-mail CEIF@ceif.org to advise us.

Past due notices will be sent if your payments are more than 60 days delinquent. Your canceled draft will serve as your receipt for loan payments.

Larger payments than the minimum are accepted without penalty when the funds are raised from the offerings of the church.

We look forward to working with you and hope to make this process as painless as possible. If you have any questions or need clarification please give us a call. Together we can build the Kingdom.



LOAN APPLICATION

45 South Park Boulevard, Suite 203, Glen Ellyn, IL 60137
P: 800-543-CEIF • F: 630-495-4736 • ceif@ceif.org

Name of Church (use exact corporate name) Today's Date

Address (current mailing address) Fed ID/Tax ID#

City State/Prov. Zip/Postal Code County/Municipality
 No

Date Accepted as Church Extension Project Date Accepted as Church within Association Date Incorporated (check No if not)

Senior Pastor Beginning Service Date (year/month) E-Mail

Assistant Beginning Service Date (year/month) E-Mail

Person to Contact Regarding the Loan E-Mail

Address

City State/Prov. Zip/Postal Code Phone

Attorney Name (to be engaged by church)

Address

City State/Prov. Zip/Postal Code Phone

FINANCING REQUEST:

- Construction to Permanent Loan Draw Down Line of Credit for Renovation/Repairs Straight Purchase Revolving/Draw Down Line of Credit Bridge Loan Refinance

\$ Estimated Total Project Costs \$ Total Funding Requested / / Date Needed

Purpose of Loan (Short Description)

Acres Present/Proposed Property Size Square Feet Proposed Building/Addition Square Feet Present Building Size (if applicable) Year Present Building Built

FINANCIAL INFORMATION:

CEIF requires the submission of a total of 4 years of financial statements (complete statements for the previous 3 years, plus current year-to-date). These statements, at a minimum, must include the following information:

- All regular, non-designated offering income; capital campaign income; designated giving; any other income
- TOTAL year-to-date expenses; compensation expenses, including any benefits and housing allowances; total rent payments and/or debt service expenses; all capital expenditures; ministry expenses

All statements must be completed through the last day of the month.

Please provide current information on any of the following ministry accounts that are active.

	Name of Financial Institution	Current Balance
Unrestricted Operating Funds		
Building/Capital Campaign Funds		
Mission Funds		
Investments/Other		

Existing Financing Information

1) _____ ()

Bank	Contact Name	Phone
Address	City	State/Prov. Zip/Postal Code
Loan or Account No.	Current Outstanding Balance	Monthly Payment
Loan Maturity Date	Checking Balance	

2) How many family units give more than 3% of total church income each? _____

INSURANCE INFORMATION:

Insurance Carrier _____

Agent Name _____

Address _____

City _____ State/Prov. _____ Zip/Postal Code _____

() _____ () _____

Phone _____ Fax _____

Coverage	Amount
Public Liability	\$ _____
Property and Casualty	\$ _____
Machinery and Equipment	\$ _____

Prior to funding, CEIF must be named as mortgagee/loss payee on your ministry's insurance coverage and we must receive a proof of insurance statement from your carrier within 10 days after closing the loan.

LEADERSHIP INFORMATION:

A separate written statement from the ministry's leadership must accompany this application. Please include the following information in that supplemental document:

- Outline the financing needs as reflected in this loan application — what the funds will be used for, and why.
- Outline the methods and means of communication that you have used to inform the members of your congregation about this potential project.
- Goals of this ministry.
- The expected time line for this project.

MINISTRY INFORMATION:

If the space provided is not adequate for your response, please attach a separate sheet of paper titled MINISTRY INFORMATION CONTINUED, and restate the question before supplying your answer. If the question does not apply, simply respond "N/A". Please answer all questions.

1) Does your ministry have any para-church income, such as pre-school or other class, renting the facilities on a regular basis? Yes No
If yes, please explain.

2) Does your ministry have investment income? Yes No
If yes, please explain.

3) Have there been any unusual nonrecurring income or expense items in the past 2 years? Yes No
If yes, please explain.

FUND-RAISING PROGRAM:

Is there, or will there be, a fund-raising program in conjunction with this project? Yes No
If yes, please complete the following.

	\$	\$
Beginning Date	Ending Date	TOTAL Commitment Received
		Pledge Dollars Actually Received to Date

Provide previous 4-year average a.m. quarterly attendance and yearly membership.

	YEAR:	YEAR:	YEAR:	YEAR:	CURRENT YEAR
Quarter 1					
Quarter 2					
Quarter 3					
Quarter 4					
MEMBERSHIP					

ACKNOWLEDGEMENTS:

If any of the representations made in this application and the attached financial statements prove to be untrue, that cause material change in financial condition as given in said documents, then all of the obligations made by CEIF may immediately become due and payable without demand or notice. We hereby certify that all statements are true and correct and provide an accurate representation of the complete financial status of the ministry to the best of our knowledge.

This application must be signed by a minimum of 2 persons authorized to sign legal documents.

Printed Name _____ Date _____

Signature _____

Title _____ E-Mail Address _____

Address _____

City _____ State/Prov. _____ Zip/Postal Code _____

() ()
Daytime Phone _____ Evening Phone _____

Authorized Signor for the Ministry? Yes No

Printed Name _____ Date _____

Signature _____

Title _____ E-Mail Address _____

Address _____

City _____ State/Prov. _____ Zip/Postal Code _____

() ()
Daytime Phone _____ Evening Phone _____

Authorized Signor for the Ministry? Yes No

PROPERTY INFORMATION:

Which public utilities are connected to the property? Electricity Water Gas Telephone Sanitary/Storm Sewer None
Does the zoning permit the intended use? Yes No
Is a conditional use permit required? Yes No
Has the church voted on this project? Yes No

1) CONSTRUCTION

\$ _____ \$ _____ \$ _____ \$ _____
Total Cost of Project Cash on Hand Capital Campaign Commitment Original Cost of Property

Current Outstanding Loans

Architectural Firm

Address

City State/Prov. Zip/Postal Code

() () ()
Phone Fax Mobile Phone E-Mail

General Contractor/Design Building Firm

Address

City State/Prov. Zip/Postal Code

() () ()
Phone Fax Mobile Phone E-Mail

() ()
Building Chairman Phone Mobile Phone E-Mail

What type of facility do you currently anticipate building? (Check all that apply)

- Worship Auditorium Education Facility Multi-Purpose Facility
- Offices Parsonage Other (specify)_____

**Please enclose a construction budget or best estimate of costs.
Please include plot plan with application if available.**

2) PURCHASE

()
Real Estate Agent Phone E-Mail

Property Address City State/Prov. Zip/Postal Code

Property Description

\$ _____ \$ _____
Asking Price Price Offered Date of Offering

Duplicate this sheet and attach to this application if more than one property is being purchased.