

**POLICIES AND REGULATIONS**  
of the  
**TENNESSEE BAPTIST FOUNDATION LOAN PROGRAM**

**PURPOSE**

The **TENNESSEE BAPTIST FOUNDATION LOAN PROGRAM** was established by the **TENNESSEE BAPTIST FOUNDATION** in 1994 as an investment strategy to provide endowment income for Baptist causes. First mortgage loans are made to qualifying churches in Tennessee for building purposes and the acquisition of additional properties and buildings. First mortgage loans are also made for building and property growth needs to Baptist associations, Baptist Student Unions, The Tennessee Baptist Convention and institutions affiliated with The Tennessee Baptist Convention. As funds are available consideration will be given to applications for refinancing existing church as defined by this policy.

The program is administered by the **TENNESSEE BAPTIST FOUNDATION LOAN COMMITTEE**, composed of members of the Board of Trustees of the **TENNESSEE BAPTIST FOUNDATION**. In discharging its duties, the committee is guided by the following policies and regulations:

**MINIMUM ELIGIBILITY FOR A LOAN PROGRAM**

- 1. DENOMINATIONAL LOYALTY.** Churches applying for loans must be loyal to The Tennessee Baptist Convention. Such loyalty shall be evidenced by fellowship and cooperation with an association of Southern Baptist churches, The Tennessee Baptist Convention, and by regular and substantial contributions to mission causes through the Tennessee Baptist Cooperative Program. For the purpose of this loan program the Tennessee Baptist Foundation Board of Trustees shall determine whether or not a church meets the denominational loyalty provision and the Board's decision is final.
- 2. 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, including a report of revenue and expenses for the last five years.

3. **LOCATION AND NEED.** Churches applying for loans shall be located in communities which represent opportunities for building and maintaining a church. Churches shall provide ample parking space and shall comply with city, county and state fire codes and building regulations.

**INTEREST RATE AND METHOD FOR PAYMENT OF A LOAN**

4. The interest rate charged for any loan shall be the rate in effect at the time the loan commitment is made. The rates of interest shall be set by the Board of Trustees of the **TENNESSEE BAPTIST FOUNDATION** and administered by its Loan Committee.

5. No loan shall be made for more than fifteen (15) years. Depending upon the interest rate option chosen, loans are subject to interest rate adjustments at one, three or five year intervals.

6. An amortization schedule shall be provided for each **BORROWER**. Loans will be amortized at the time of closing and again at each renewal. Monthly installment payments shall include accrued interest on the unpaid principal balance and a sufficient amount applied each month to the principal to retire the loan within the stated loan period.

7. Prepayment of the principal may be made at any time without penalty.

8. Monthly loan installment payments shall be paid to the **TENNESSEE BAPTIST FOUNDATION** at its primary address, P. O. Box 728, Brentwood, Tennessee 37024-0728, in accordance with the amortization schedule.

9. If payment is not received within ten (10) days of the due date, the loan is in default and the **TENNESSEE BAPTIST FOUNDATION** will send a notice of default. The **BORROWER** shall have fifteen (15) days from the date of the notice of default within which to cure the default. The **BORROWER** may cure by paying the outstanding installment, all accrued interest thereto, a five per cent (5%) late fee and any other costs and expenses or fees incurred within the cure period. In the event of default the loan may bear the highest interest rate allowed by law during the period of default.

\_\_\_\_\_      \_\_\_\_\_      \_\_\_\_\_      \_\_\_\_\_      \_\_\_\_\_      \_\_\_\_\_  
Initial/Date    Initial/Date    Initial/Date    Initial/Date    Initial/Date    Initial/Date

10. In the event a church ceases to cooperate with The Tennessee Baptist Convention, as  
Adopted 5/22/98

described under **DENOMINATIONAL LOYALTY** (*see paragraph #1*), the loan will be in default and notice of default will be sent to the **BORROWER**. The **BORROWER** will have thirty (30) days from the date of the notice of default within which to cure the default. The **BORROWER** may cure the default by restoring loyalty to the local Baptist association, The Tennessee Baptist Convention and by regular and substantial contributions to mission causes through the Tennessee Baptist Cooperative Program as defined by **the TENNESSEE BAPTIST FOUNDATION LOAN COMMITTEE**.

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Initial/Date    Initial/Date    Initial/Date    Initial/Date    Initial/Date    Initial/Date

**APPLICATION PROCESS FOR A LOAN**

11. All applications for loans shall be made on forms furnished, upon request, by the **TENNESSEE BAPTIST FOUNDATION**.
12. Information provided by the applicant must be current and complete. All information provided by the applicant shall remain confidential.
13. When applications have been received and evaluated, a representative of the **TENNESSEE BAPTIST FOUNDATION** shall contact the applicant to arrange a meeting with the appropriate committee(s). The purpose of such meetings shall be to discuss the building plans and specifications, the proper legal action required to secure loans and to mortgage property, and the **TENNESSEE BAPTIST FOUNDATION’S purposes** and obligations in the administration of the loan program.
14. An inspection of the real property and improvements, which shall secure the loan, shall be conducted by **TENNESSEE BAPTIST FOUNDATION** representatives prior to the approval of any loan. The purpose of this inspection is to determine the possibility of contamination of the land or buildings by toxic or hazardous substances. **This inspection is not to be construed as approval by the TENNESSEE BAPTIST FOUNDATION or that the premises are in compliance with laws, rules and regulations dealing with environmental matters.** The **TENNESSEE BAPTIST FOUNDATION** may require that a professional environmental study be conducted at **BORROWER’S** expense.
15. Final approval or disapproval of loan applications shall be made by the **TENNESSEE**

**BAPTIST FOUNDATION LOAN COMMITTEE** or by the Board of Trustees of the **TENNESSEE BAPTIST FOUNDATION** at any regular or special meeting.

**16.** When a loan has been approved, the **BORROWER** shall be provided a formal letter of commitment by the **TENNESSEE BAPTIST FOUNDATION** specifying terms of the loan. This letter of commitment shall be in effect for the six months following the date of the loan approval. The **TENNESSEE BAPTIST FOUNDATION LOAN COMMITTEE** shall review any material change made to the loan application prior to closing.

**GUIDELINES FOR A LOAN**

**17.** No loan shall be made where installment payments on indebtedness, including payments on the **TENNESSEE BAPTIST FOUNDATION** loan, exceed twenty-five (25) percent of the applicant's annual budget receipts for the past year. Those receiving loans from the **TENNESSEE BAPTIST FOUNDATION** must agree not to increase indebtedness beyond the twenty-five (25) percent debt limit without written permission from the **TENNESSEE BAPTIST FOUNDATION LOAN COMMITTEE**. **Failure to secure such written permission shall constitute a default of the loan.** (*see paragraph 10 for default procedures*).

_____	_____	_____	_____	_____
Initial/Date	Initial/Date	Initial/Date	Initial/Date	Initial/Date

**18.** No loan shall be made in excess of eighty (80%) percent of the cost of the project.

**19. CONSTRUCTION FINANCING.** When church property market value is sufficient, a church equity loan may be established before the project is begun and these funds may be used for construction. During the construction period interest payments must be made monthly on the outstanding balance. Upon completion of the project, the long-term **TENNESSEE BAPTIST FOUNDATION** loan financing begins with monthly principal and interest payments required. Before a mortgage title policy is issued, the **TENNESSEE BAPTIST FOUNDATION** will require affidavits from the builders and/or suppliers showing that all construction debts have been paid or will be paid from the loan proceeds.

**20.** Building loans shall be secured by a first mortgage on real estate owned by the **BORROWER**.

**21.** When loans are secured to purchase existing buildings or land for future expansion,

the **TENNESSEE BAPTIST FOUNDATION** shall pay the amount of the loan to the **BORROWER** only after all terms and provisions for purchase of the property have been fulfilled by both the buyer and the seller, and evidence of compliance is provided by the **BORROWER**.

22. The **TENNESSEE BAPTIST FOUNDATION** will require a mortgage title policy issued by a title insurance underwriter which has been approved by the **TENNESSEE BAPTIST FOUNDATION** at **BORROWER'S** expense. This policy insures that no loss shall be sustained by the lender by reason of defect in the mortgage given as security for the loan. When the loan is approved and a letter of commitment has been issued, the **TENNESSEE BAPTIST FOUNDATION** shall make application for such mortgage title policy.

23. The **TENNESSEE BAPTIST FOUNDATION LOAN COMMITTEE** has established a non-refundable two percent (2%) origination fee, on the first \$300,000, and one percent (1%) on everything above \$300,000. One-half of this fee shall be paid to the **TENNESSEE BAPTIST FOUNDATION** at the time of formal loan application. In the event the loan is not approved, this first installment of the loan origination fee shall be refunded. The remaining one-half of the loan origination fee shall be due when the loan is closed.

24. The loan shall be closed only after final inspection is made and approved by a **TENNESSEE BAPTIST FOUNDATION** representative, title policy requirements are satisfied, and proof of insurance coverage is provided as outlined in paragraph 26 below.

25. Any building or property which is used as collateral for a loan must be kept insured. Said insurance must be, at minimum, a **FORM 3** fire and extended coverage policy provided to the **TENNESSEE BAPTIST FOUNDATION** prior to the closing of the loan. (But in construction projects the policy must include coverage for materials on site.) In addition, the **TENNESSEE BAPTIST FOUNDATION** must be listed as an additional insured on the **BORROWER'S** liability policy. Said insurance must be written through an insurance company satisfactory to the **TENNESSEE BAPTIST FOUNDATION**, for a sum sufficient to protect the loan, with a mortgage clause attached to the policy, making the loss, if any,

payable to the **TENNESSEE BAPTIST FOUNDATION**, as its interest may appear. The original **FORM 3** policy shall be deposited with the **TENNESSEE BAPTIST FOUNDATION**. Proof of renewal of insurance must be submitted 30 days prior to its expiration on an annual basis. Failure to maintain appropriate insurance shall constitute a default of the loan.

**26.** The **BORROWER** shall pay all closing costs, including, but not limited to, the recording of the mortgage and other expenses involved in completing the transaction, including attorney's fees.

**27.** Annually, each recipient of a loan, shall provide to the **TENNESSEE BAPTIST FOUNDATION** a copy of each year's budget, year-end financial statement and other information as may be requested by the President-Treasurer.

**28. In the event of a conflict between the terms stated in this policy and those stated in the loan Note and/or Deed of Trust, the loan Note and/or Deed of Trust shall prevail.**

# CHECKLIST FOR LOAN CLOSING

## TENNESSEE BAPTIST FOUNDATION

P. O. Box 728

Brentwood, Tennessee 37024-0728

(615) 371-2029 (800) 552-4644 FAX: (615) 371-2049

**Congratulations** on bringing your significant project to this point of completion. In order that you be prepared for the closing of your loan please allow the following checklist to guide you as you move toward the closing. We at the Tennessee Baptist Foundation appreciate working with you in this Kingdom project! If you have questions or we may be of further service to you please do not hesitate to call.

\_\_\_\_ 1. **Has the final inspection of your project by a Tennessee Baptist Foundation representative taken place?** (If not, please call our office at (800) 552-4644 to schedule an appointment with us for your final inspection.)

\_\_\_\_ 2. **Have you obtained your fire and extended coverage insurance policy?**

\_\_\_\_ 3. **Have you obtained your liability insurance policy listing the Tennessee Baptist Foundation as an additional insured?**

\_\_\_\_ 4. **Are you prepared to pay all closing costs, including, but not limited to, the recording of the mortgage and other expenses involved in completing the transaction, including attorney's fee, and the remaining one-half of your loan origination fee?**

\_\_\_\_ 5. **Are you prepared to secure your loan by a first mortgage on the real estate owned by your church/association?**

**CHECKLIST FOR LOAN APPLICATION**  
**TENNESSEE BAPTIST FOUNDATION**  
**P. O. Box 728**  
**Brentwood, Tennessee 37024-0728**  
**(615) 371-2029 (800) 552-4644 Fax: (615) 371-2049**

- \_\_\_\_\_ 1. Have you provided for the Tennessee Baptist Foundation Loan Committee a completed and accurate application for your loan including the following supporting documentation?
- \_\_\_\_\_ a. Copy of your church's/association's **Charter of Incorporation**?
  - \_\_\_\_\_ b. Copy of your church's/association's **Constitution and By-Laws**?
  - \_\_\_\_\_ c. Copy of the **recorded Deed or Deeds** for the property and/or a survey?
  - \_\_\_\_\_ d. Copy of your church's/association's **budget for the current year**?
  - \_\_\_\_\_ e. Copy of your church's/association's **projected budget for the coming year**?  
(If available)
  - \_\_\_\_\_ f. Copies of your church's/association's **treasurer's report for the past twelve (12) months**?
  - \_\_\_\_\_ g. A copy of your **construction plans**?
  - \_\_\_\_\_ h. A well-prepared **cost breakdown of your project**?
  - \_\_\_\_\_ i. Any **additional information** which has been **requested by the Tennessee Baptist Foundation**?
- \_\_\_\_\_ 2. Have you had a **meeting with your committee(s) and the Tennessee Baptist Foundation representative**?
- \_\_\_\_\_ 3. Has the **property been inspected by the Tennessee Baptist Foundation**?
- \_\_\_\_\_ 4. Have you **paid** to the Tennessee Baptist Foundation the **first half of your origination fee**?  
(Balance due at closing of loan)

# THE TENNESSEE BAPTIST FOUNDATION

## CHURCH BUILDING LOAN INTEREST RATE OPTIONS

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### Option 1

\_\_\_\_\_% (1% below New York Prime or 5%, whichever is greater)      Annual Adjustable Interest Rate  
**This interest rate will remain the same for one year.** It will adjust on each anniversary of the loan to the then current annual adjustable interest rate. (It may not adjust more than 1.5% up or down at any annual adjustment.)

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### Option 2

\_\_\_\_\_% (3/4% below New York Prime or 5%, whichever is greater)      3-Year Adjustable Interest Rate  
**This interest rate will remain the same for three years.** It will adjust on each third anniversary of the loan to the then current 3-year adjustable interest rate. (It may not adjust more than 3% up or down at any three-year adjustment.)

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### Option 3

\_\_\_\_\_% (1/2% below New York Prime or 5%, whichever is greater)      5-Year Adjustable Interest Rate  
**This interest rate will remain the same for five years.** It will adjust on each fifth anniversary of the loan to the then current 5-year adjustable interest rate. (It may not adjust more than 5% up or down at any five-year adjustment.)

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*Each loan may be made for a 15-year term.*

*No penalty for early pay off.*

**Interest dollars help support Baptist ministries.**