

PRESBYTERIAN MISSION AGENCY BOARD
SEPTEMBER 17, 2014
Presbyterian Investment & Loan Program

ITEM A.211
FOR INFORMATION

X	A. Finance	E. Corporate Property, Legal, Finance	J. Nominating Committee
	B. Justice	F. PC(USA), A Corporation	K. Governance Committee
	C. Leadership	G. Audit	P. Plenary
	D. Worshiping Communities	H. Executive Committee	

Subject: REPORT OF THE COORDINATED LOAN PROGRAM

Presbyterian Church (U.S.A.) Investment & Loan Program, Inc.
 Stephen Bacon., Chair of the Board
 James L. (Jay) Hudson, President

The Coordinated Loan Program is a combination of the Investment and Loan Program and the Church Loan Program. This represents the total lending program of the General Assembly for capital projects in congregations and mid-councils. We are currently administering a loan portfolio of \$168.4 million, including a pipeline of \$10.6 million in closed loans not yet disbursed and commitments not yet closed. At June 30, 2014 the disbursed loan portfolio was down \$7.4 million from December 31, 2014.

The Great Recession has resulted in congregations that are more conservative in their willingness to take on the long term debt that is required for capital projects. Many congregations are waiting until they have completed a first capital campaign and have the receipts in hand before breaking ground. This has resulted in fewer and smaller loan applications. As banks have recovered there is increased competition for loans to congregations with strong balance sheets. As congregations have left the denomination loans have been refinanced away from us reducing the loan portfolios of the Coordinated Loan Program.

COORDINATED LOAN PROGRAM Loan Portfolio							
	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	06/30/14	Year to Date Change
Disbursed Loan Portfolio	\$179,686,369	\$184,312,088	\$182,021,102	\$176,878,647	\$165,173,162	\$157,767,446	-4.5%
Closed Loans Pending Disbursal	\$8,533,053	\$6,756,291	\$6,878,883	\$7,607,601	\$3,935,775	\$3,761,427	-4.4%
Commitments Pending Close	\$9,842,401	\$9,437,870	\$11,643,889	\$6,989,925	\$11,644,000	\$6,849,925	-41.2%
Total	\$198,061,823	\$200,506,249	\$200,543,874	\$191,476,173	\$180,752,937	\$168,378,798	-6.8%

The Presbyterian Investment and Loan Program administers the Church Loan Program for the Presbyterian Mission Agency. The Church Loan Program is the result of many gifts, campaigns and bequests to the Presbyterian Church (U.S.A.) over 170 years. The total endowment for church loans has grown to over \$227 million. The Presbyterian Mission Agency took action in February 2012 to make over \$24 million of these funds available for grants as well as loans. The Presbyterian Mission Agency and the Presbyterian

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Foundation are planning to use some of these funds to finance the “1001 New Worshipping Communities Initiative.”

The maximum loan from the Church Loan Program is currently \$450,000. The maximum size project in which the Church Loan Program participates is \$2.5 million. The majority of the loan applications we receive qualify for funds from the Church Loan Program. During the first half of 2014 the disbursed loan portfolio from endowment funds decreased by \$3.3 million continuing a four-year trend of decreased demand. The pipeline of loans approved but not yet closed and loans awaiting disbursal in the Church Loan Program decreased by \$1.4 million during the first half of 2014.

CHURCH LOAN PROGRAM Loan Portfolio							
	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	6/30/14	Year to Date Change
Disbursed Loan Portfolio	\$105,699,365	\$103,259,405	\$102,220,827	\$93,625,457	\$89,301,668	\$85,992,178	-32.7%
Closed Loans Pending Disbursal	\$3,771,746	\$4,849,726	\$2,624,835	\$3,123,806	\$2,065,059	\$2,295,825	11.2%
Commitments Pending Close	\$4,470,981	\$4,630,910	\$3,765,850	\$3,347,925	\$4,580,560	\$2,906,982	-36.5%
Total	\$113,942,092	\$112,740,041	\$108,611,512	\$100,097,188	\$95,947,287	\$91,194,985	-5.0%

The Church Loan Program does not permit refinancing of existing loans without an exception to the policy. We have been given permission by the Mission Development Resources Committee to refinance loans from the synod loan programs in the Synods of Lincoln Trails, Northeast and Mid-America. In August 2012 the Mission Development Resources Committee lowered the floor for interest rates to 3.5%, which is the current base interest rate for loans from the Church Loan Program. Rates can be further reduced for congregations with strong mission giving to the Presbyterian Church (U.S.A.).

The disbursed portfolio of investor funds has decreased by \$4.1 million or 5.4% in 2014. During the first two months of 2014, we lost several large loans that were approved in 2013. On February 28, 2014 the pipeline of commitments pending close and closed loans pending disbursal had dropped to \$1.3 million. During the past four months the pipeline has been replenished and was \$5.4 million on June 30, 2014. The total portfolio inclusive of pending disbursements and commitments was \$77.2 million on June 30, 2014, down 9.0% from year-end 2013. The increasing pipeline should result in increased disbursements during the last half of 2014. The marketing team is pursuing all potential leads for new loan business. The base interest rate for investor funds is 4.45%.

INVESTMENT AND LOAN PROGRAM Loan Portfolio							
	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	6/30/14	Year to Date Change
Disbursed Loan Portfolio	\$73,987,004	\$81,052,683	\$79,800,275	\$83,253,191	\$75,871,494	\$71,775,268	-5.4%
Closed Loans Pending Disbursal	\$4,761,307	\$1,906,565	\$4,254,048	\$4,483,795	\$1,870,716	\$1,465,602	-21.7%
Commitments Pending Close	\$5,371,420	\$4,806,960	\$7,878,039	\$3,642,000	\$7,063,440	\$3,942,943	-44.2%
Total	\$84,119,731	\$87,766,208	\$91,932,362	\$91,378,985	\$84,805,650	\$77,183,813	-9.0%

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The following is a brief history of new loans disbursed during each of the past ten years. The Program needs to disburse approximately \$600,000 of investor funds and just over \$1 million in endowment funds each month to maintain the same disbursed loan portfolios. We had strong disbursements from investor funds in the first few months of 2013, but this was combined with pre-payments and a large loan refinancing away from the Program, resulting in a decrease in the disbursed loan portfolio. We are disappointed that several of the loans in the \$21 million loan portfolio of the Church Development Corporation in the Synod of Mid-America have been refinanced outside the Program. Several others have been paid off. We are still optimistic that as we continue to transfer the mission of this synod program, during the next three years, we will be able to grow both loan portfolios.

The following history of loans disbursed from investor funds and endowment funds shows that we have made very few disbursements of investor funds in 2014. This combined with a relatively small pipeline of new loans may result in our lowest year for disbursements since 2004.

History of New Loans Disbursed Coordinated Loan Program				
Year	Investor Funds	Participations	Endowment	Total Funds
2003	\$ 8,798,332	\$4,681,199	\$ 8,080,573	\$21,560,104
2004	\$5,284,805	\$2,617,825	\$4,389,269	\$12,291,899
2005	\$10,579,630	\$621,510	\$16,776,967	\$27,978,107
2006	\$10,587,617	0	\$13,609,195	\$24,196,812
2007	\$7,149,100	0	\$12,781,823	\$19,930,923
2008	\$9,058,971	0	\$16,342,796	\$25,404,767
2009	\$15,739,211	0	\$16,513,870	\$32,253,081
2010	\$12,361,815	0	\$11,623,644	\$23,985,459
2011	\$7,249,596	0	\$11,782,729	\$19,032,325
2012	\$13,540,426	0	\$6,967,114	\$20,507,540
2013	\$9,361,438	0	\$11,315,085	\$20,676,523
2014 YTD 6/30/14	\$1,750,000	0	\$4,659,390	\$6,409,390

We have been able to maintain sufficient investment sales to keep investments at about \$95.2 million, which meets the existing loan demand and maintains the liquidity requirement without special promotions.

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INVESTMENT & LOAN PROGRAM							
INVESTMENTS IN TERM NOTES AND DENOMINATIONAL ACCOUNTS							
	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	6/30/14	Year to Date Change
Notes	\$44,506,716	\$51,740,639	\$56,819,730	\$58,480,002	\$59,494,768	\$57,972,864	-2.6%
Denominational Accounts	\$35,087,835	\$39,173,469	\$38,121,633	\$36,549,946	\$35,988,862	\$37,228,776	3.4%
Total	\$79,594,551	\$90,914,108	\$94,941,363	\$95,029,948	\$95,483,630	\$95,201,640	-0.3%

Investment sales have been slightly less than redemptions in 2014. We are in the process of renewing the \$15 million deposit commitments from PC (U.S.A.), A Corp and from the Presbyterian Foundation. These investments are appreciated and essential to our ongoing ministry.

The staff looks forward to talking with you and working with you as we seek to serve Christ and the Presbyterian Church (U.S.A.) together.