

ITEM A.208
FOR INFORMATION

Subject: REPORT OF THE COORDINATED LOAN PROGRAM

Presbyterian Church (U.S.A.) Investment & Loan Program, Inc.
Margaret Jorgensen, Chair of the Board
James G. Rissler, 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 total loan portfolio of \$163 million.

After an extended slowdown in loan demand (largely due to the financial crises) we began seeing renewed interest in the third quarter of 2013. These were mostly smaller projects as congregations remained hesitant to take on much debt with the ill effects of the financial crisis still too fresh. Even the few large projects we saw were mostly requiring only small loan amounts. Congregations preferred raising the majority of funds prior to starting projects to keep their debt exposure low. Although still below pre-2008 volumes, the larger projects began returning in the last half of 2014. Due to the long life cycle of church building projects, it takes a while for this increase to work its way through the loan numbers. However, the increase can begin to be seen in our loan pipeline of \$15.3 million in Closed Loans Pending Disbursal and Commitments Pending Close, a nice increase from the \$7.6 million of one year ago.

Coordinated Loan Program Loan Portfolio							
	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	02/28/15	Year to Date Change
Disbursed Loan Portfolio	\$184,312,088	\$182,021,102	\$176,878,647	\$165,173,162	\$150,706,405	\$147,749,849	-2.0%
Closed Loans Pending Disbursal	\$6,756,291	\$6,878,883	\$7,607,601	\$3,935,775	\$4,248,066	\$4,274,375	0.6%
Commitments Pending Close	\$9,437,870	\$11,643,889	\$6,989,925	\$11,644,000	\$6,558,645	\$11,071,615	68.8%
Total	\$200,506,249	\$200,543,874	\$191,476,173	\$180,752,937	\$161,513,116	\$163,095,839	1.0%

In both 2013 and 2014 we experienced large declines in our Disbursed Loan Portfolio directly related to denominational issues. Our deliverance from the General Assembly allows lending only within our denomination. As some of our congregations requested dismissal from our denomination it was required that they pay off their loans with us. Combined with the slow new loan activity, this took a toll on the Disbursed Loan Portfolio. Although we anticipate more such repercussions linked to the controversial GA actions, it appears to be slowing while our new loan activity is picking up. The Disbursed Loan Portfolio has continued to decline during this first part of 2015 but we believe this will flatten out during this year as we begin getting some of these new loans disbursed.

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As we started coming out of the period of extremely low loan demand the Church Loan Program (“CLP”) (funded by endowment funds) benefited first. The smaller loans can often be fully funded by CLP, not requiring any investor funds from the Investment and Loan Program (“ILP”). However, with an increase in the larger loans, ILP has now begun to see the benefits. The Disbursed Loan Portfolio for investor funds was relatively flat – new disbursements almost offsetting loan pay downs. We remain in talks on several loans that alone have the potential of keeping this upward trend going for the next two quarters. Loans disbursing now are primarily construction loans whereas most of the prospective loans we are working on are refinance loans. Overall loan demand remains soft but improved over 2014. The larger average size of the refinance loans is helping to offset the low number of applications we are receiving.

Investment and Loan Program Loan Portfolio							
	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	02/28/15	Year to Date Change
Disbursed Loan Portfolio	\$81,052,683	\$79,800,275	\$83,253,191	\$75,871,494	\$67,981,250	\$67,830,873	-00.2%
Closed Loans Pending Disbursal	\$1,906,565	\$4,254,048	\$4,483,795	\$1,870,716	\$3,017,428	\$3,202,117	6.1%
Commitments Pending Close	\$4,806,960	\$7,878,039	\$3,642,000	\$7,063,440	\$4,418,383	\$8,209,470	85.8%
Total	\$87,766,208	\$91,932,362	\$91,378,985	\$84,805,650	\$75,417,061	\$79,242,460	5.07%

The base interest rate for investor funds remains at 4.25%. This rate remains competitive. Our loan portfolio overall remains in good standing with only one 30-day or longer delinquency in the investor portfolio as of February 28, 2015.

The Church Loan Program (“CLP”) loan portfolio has continued to see increased activity but the portfolio has not yet improved. Although the pipeline also increased, from \$3.4 M to \$3.9M, it was a much more modest increase than the ILP improvement. Also, the disbursements of just \$428 K during the first two months of 2015 were not enough to offset the pay downs/payoffs during the period. The principal pay downs continued to exceed those of the investor funded portfolio with CLP hitting \$3.2 M vs. the ILP’s \$1.4 M. This is due to the average age of the different portfolios. The Church Loan Program is much older than the Investment and Loan Program. As a consequence, the CLP loans are further into their amortization schedules causing larger monthly principal payments.

Church Loan Program Loan Portfolio							
	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	02/28/15	Year to Date Change
Disbursed Loan Portfolio	\$103,259,405	\$102,220,827	\$93,625,457	\$89,301,668	\$82,725,155	\$79,918,976	-3.4%
Closed Loans Pending Disbursal	\$4,849,726	\$2,624,835	\$3,123,806	\$2,065,059	\$1,230,638	\$1,072,258	-12.9%
Commitments Pending Close	\$4,630,910	\$3,765,850	\$3,347,925	\$4,580,560	\$2,140,262	\$2,862,145	33.7%
Total	\$112,740,041	\$108,611,512	\$100,097,188	\$95,947,287	\$86,096,055	\$83,853,379	-2.6%

The base interest rate for loans to existing congregations from the Church Loan Program is 3.5%. Rates can be further reduced for congregations with strong mission giving to the Presbyterian Church (U.S.A.).

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The following history of loans disbursed from investor funds and endowment funds shows an about face of the two funds during this first period of 2015 with the ILP funding improving (on a relative basis) as the CLP funding has slowed.

History of New Loans Disbursed Coordinated Loan Program				
Year	Investor Funds	Participations	Endowment	Total Funds
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	\$3,291,212	0	\$7,983,020	\$11,274,232
02/28/15 YTD	\$1,222,421	0	\$428,379	\$1,650,800

We have been able to maintain sufficient investment sales to keep investments in the \$92 to \$94 million range. Significant in these sales are the new accounts totaling over \$2.5 million we have received from the Church Development Corporation as we continue the transfer of mission with that organization that began in late 2012.

Investment & Loan Program							
Investments in Term Notes and Denominational Accounts							
	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	02/28/15	Year to Date Change
Notes	\$51,740,639	\$56,819,730	\$58,480,002	\$59,494,768	\$56,573,317	\$56,337,202	-0.4%
Denominational Accounts	\$39,173,469	\$38,121,633	\$36,549,946	\$35,988,862	\$35,843,416	\$35,827,858	0.0%
Total	\$90,914,108	\$94,941,363	\$95,029,948	\$95,483,630	\$92,416,733	\$92,165,060	-0.3%

The decrease in our investments has slowed from the 2014 level of \$250 K per month (for an annual drop of \$3.1 M) to \$125 K per month this year. With the excess liquidity we are still in a strong position. However, we do want to keep an eye on this to avoid having our investor base erode or allow our balance sheet to drop much below the \$100 M. Having renewed our five-year agreements to 2019, we still have the commitments to invest up to \$10 million from the Presbyterian Foundation and up to \$5 million from PC (U.S.A.), A Corp. These investments are appreciated and essential to our ongoing ministry.