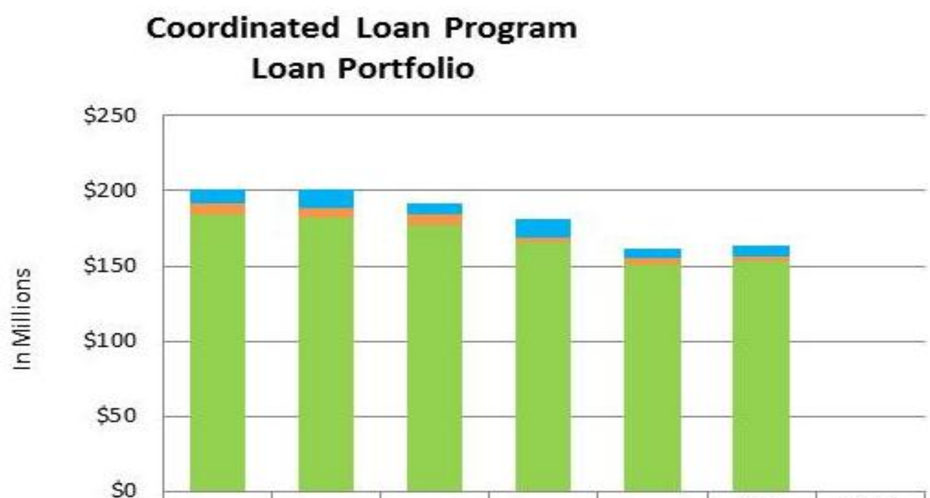
ITEM A.209
FOR INFORMATION

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 Church Loan Program and the Investment and 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 $164 million, including a pipeline of $11.1 million in closed loans not yet disbursed and commitments not yet closed. This combined portfolio saw growth for the first time in over three years.



	2010	2011	2012	2013	2014	June 2015	YTD % Change
Commitments Pending Close	$9.4	$11.6	$7.0	$11.6	$6.6	$8.1	23.0%
Closed Loans Pending Disbursal	$6.8	$6.9	$7.6	$3.9	$4.2	$3.0	-29.1%
Disbursed Loan Portfolio	$184.3	$182.0	$176.9	$165.2	$150.7	$152.9	1.5%

Total Pipeline	$ 16.2	$ 18.5	$ 14.6	$ 15.6	$ 10.8	$ 11.1	2.5%
Total Portfolio w/ Pipeline	$200.5	$200.5	$191.5	$180.8	$161.5	$164.0	1.5%

After two years of declines that included four straight quarters of $1 million plus drops, the investor-funded loan portfolio has once again begun a positive trend. As of the end of June, the portfolio is up 13% over 2014 YE. Strong disbursements ($15.5 million [“M”]) eclipsing the *annual* disbursements for each of the past five years is the primary reason. This is largely due to four large loans that were refinanced through the investor-funded program. The total of these disbursements went out through a variety of loans: loans closed in 2014 but mostly disbursed in 2015, loans first cultivated during 2014 (or earlier) that came to fruition in 2015, and loans from 2015 prospects. Additionally, the principal pay downs, although up from 2014, remained off the heightened levels of 2013.

	2010	2011	2012	2013	2014	June 2015	YTD % Change
Commitments Pending Close	$4.8	$7.9	$3.6	$7.1	$4.4	$4.4	-1.0%
Closed Loans Pending Disbursal	$1.9	$4.3	$4.5	$1.9	$3.0	$1.6	-45.6%
Disbursed Loan Portfolio	$81.1	$79.8	$83.3	$75.9	$68.0	$76.8	13.0 %

Total Pipeline	$ 6.7	$12.1	$ 8.1	$ 8.9	$ 7.4	$ 6.0	-19.1%
Total Portfolio w/ Pipeline	$87.8	$91.9	$91.4	$84.8	$75.4	$82.8	9.8%

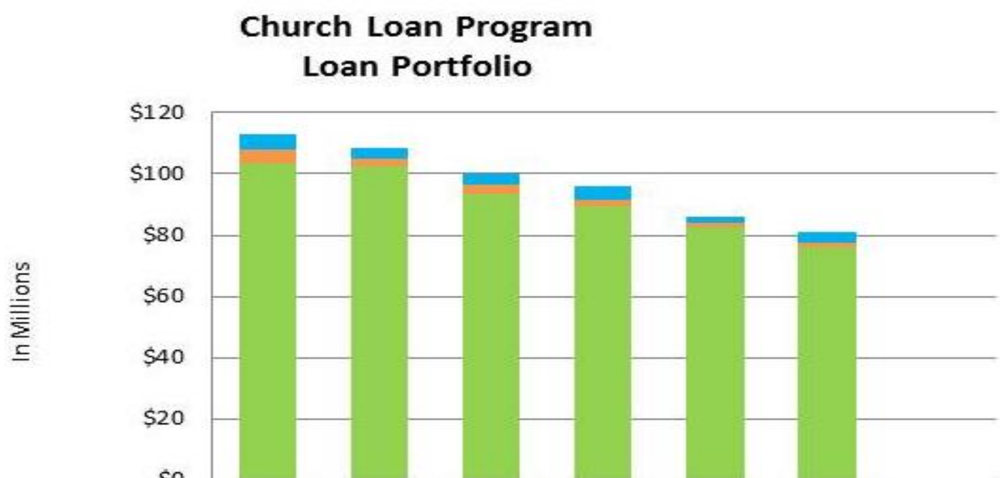
We certainly still have exposure to loan payoffs, which was the biggest factor in our declining portfolio of 2013 and remained a factor during 2014 – in fact, we had a $2.25M payoff this May. However, activity such as this appears to be waning. Churches continue to leave our denomination due to General Assembly issues but seemingly not at the pace we have experienced over the last three years. Separately, the possibility of market interest rates rising is the best it has been in eight years. This could spur some refinancing activity should borrowers search for longer fixed rate options. We have put some practices in place in an attempt to raise awareness of this and address such situations.

Having closed and disbursed so many loans during second quarter the pipeline has dropped. Although we were unable to backfill all the loans moving through the pipeline, with $15.5M going out, the $1.4M drop in the loan pipeline feels minimal. It does appear that this painfully slow economic recovery has created some pent-up demand that began to shake loose last fall and continues. This has helped get our numbers moving again; however, it has been the large refis that have pushed our numbers over the top. We will see if the increased interest in renovations, expansions, and new builds continues upward as the refi opportunities most certainly decline in a rising interest rate environment.

The base interest rate for investor funds remains competitive at 4.25%. Borrowers still have the opportunity to lower their effective interest rate through our rebate program.

The Church Loan Program ("CLP") new loan activity continues to improve but at an extremely slow pace. After hitting the lowest point in many years ($3.4 million ("M")) at the end of 2014, the pipeline of new loans (loans approved not yet closed and loans closed not yet disbursed) has begun to increase and stood at $5.1M as of the end of June. As stated, there has been an increase in loan activity but the size of the projects and the requests remain lower than past years. We have had an increase of the mid-range loan requests ($350 thousand ("K") to $750K) but not the number needed to sustain or build the endowment loan portfolio. Except for special actions such as the Church Development Corporation transition, the endowment funds are not used for refinancing existing loans which have benefited the investor-funded portfolio.

With the pipeline of loans being so low at the end of 2014, the new loan disbursements during the first half of 2015 have been well below average totaling just under $2M. For comparison, the average six-month disbursement rate over the previous five years was just under $5M. Combining the low disbursements with the continued principal pay downs of over $1.4M per month has pushed the disbursed loan portfolio down to a low $76.1M.



	2010	2011	2012	2013	2014	June 2015	YTD % Change
Commitments Pending Close	$4.6	$3.8	$3.3	$4.6	$2.1	$3.7	72.3 %
Closed Loans Pending Disbursal	$4.8	$2.6	$3.1	$2.1	$1.2	$1.4	11.4 %
Disbursed Loan Portfolio	$103.3	$102.2	$93.6	$89.3	$82.7	$76.1	-8.0 %
Total Pipeline	$ 9.5	$ 6.4	$ 6.5	$ 6.6	$ 3.4	$ 5.1	50.1 %
Total Portfolio w/ Pipeline	$112.7	$108.6	$100.1	$95.9	$86.1	$81.2	- 5.7 %

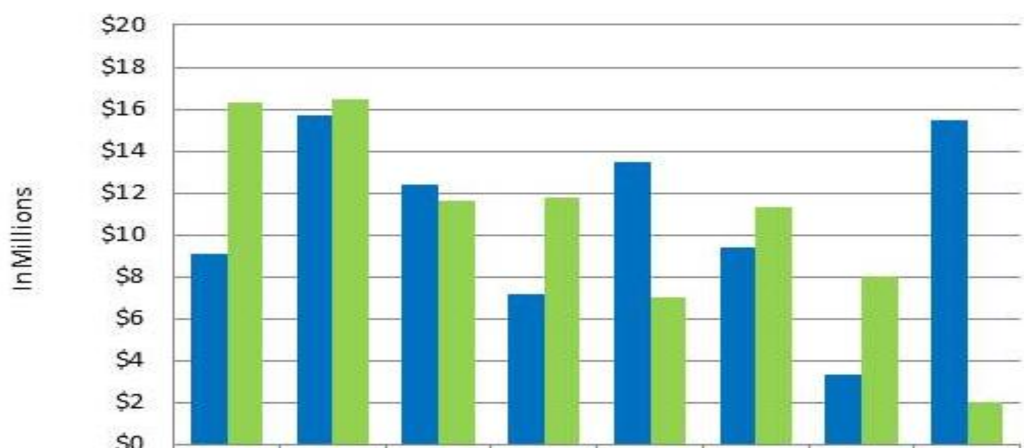
The disbursed loan portfolio has been in a steady decline ever since 2009 when the portfolio reached $105.7M. The recession/financial crisis caused many churches to halt building project plans and created reluctance within many to start any new projects. This naturally led to lower disbursements over the past five and a half years. We also experienced higher payoffs than normal since 2012 due to denominational concerns. Since loans can only be made to churches of the PCUSA, churches seeking dismissal must pay off their loans. This has directly led to the higher payoffs we have seen. Combining the lower disbursements with the increased payoffs has led to our sixth year of a declining portfolio.

At the current rate of principal payments/payoffs, the Church Loan Program needs roughly $14M in annual disbursements to keep the portfolio from eroding further, a rate of disbursement we have not seen since 2009. We are hopeful that the new loan product, the Restoring Creation Loan will be helpful in generating additional loan volume for the Church Loans. Previously approved by MDRC at the May meeting, it was then approved in June by the PMA Board Executive Committee. We started marketing the loan at this year's Big Tent event in Knoxville. Additional good news, the number of loan payoffs appears to be decreasing as the number of churches seeking dismissal (and have CLP loans) seems to be declining.

The base interest rate for loans to existing congregations from the Church Loan Program remains at 3.5%. Rates can be further reduced for congregations with strong mission giving to the Presbyterian Church (U.S.A.) or for churches that take advantage of the Restoring Creation Loan which has a current loan rate of 2.5%.

The following history of loans disbursed from investor funds and endowment funds shows the extreme change and variance in the two funds that has occurred this year. We do believe the Church Loan disbursements will pick up during the second half of 2015 based upon current activity but not to the degree necessary to avoid further decline in the portfolio.

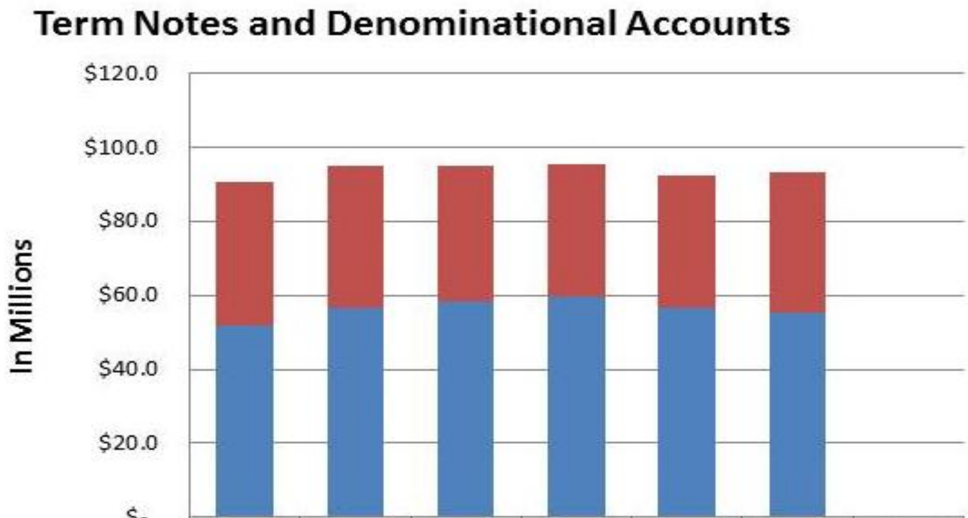
New Loans Disbursed
Coordinated Loan Program



	2008	2009	2010	2011	2012	2013	2014	June 2015
Investor Funds	$9.1	$15.7	$12.4	$7.2	$13.5	$9.4	$3.3	$15.5
Endowment Funds	$16.3	$16.5	$11.6	$11.8	$7.0	$11.3	$8.0	$2.0

Total Disbursements	$25.4	$32.3	$24.0	$19.0	$20.5	$20.7	$11.3	$17.5

Although the total investment dollars have not changed significantly this year, the mix between Term Notes and DARs continues to move to the favor of the DARs. The increase in the DARs can largely be attributed to monies presbyteries are receiving from churches going through the dismissal process and paying to take their church building with them and from the sale of church buildings no longer in use. Much of this is money that has been temporarily "parked" in Mission Market Fund accounts. Our preference is to have the Term Notes make up an increasing percentage of the total as the dollars are spread more widely and therefore create less of a tendency of having significant redemptions.



	2010	2011	2012	2013	2014	June 2015	YTD % Change
Denominational Accounts	$39.2	$38.1	$36.5	$36.0	$35.8	$38.2	6.7 %
Term Notes	$51.7	$56.8	$58.5	$59.5	$56.6	$55.3	-2.2 %
Total Investments	$90.9	$94.9	$95.0	$95.5	$92.4	$93.5	1.2 %

After seeing the balances drop throughout 2014 and the first part of 2015, we experienced a $1.1M increase by mid-year. This does seem to be directly related to the presbyteries situation described above. We remain in a strong cash/liquidity position.

We continue to 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.

Sincerely,

James G. Rissler

James G. Rissler
President & CEO