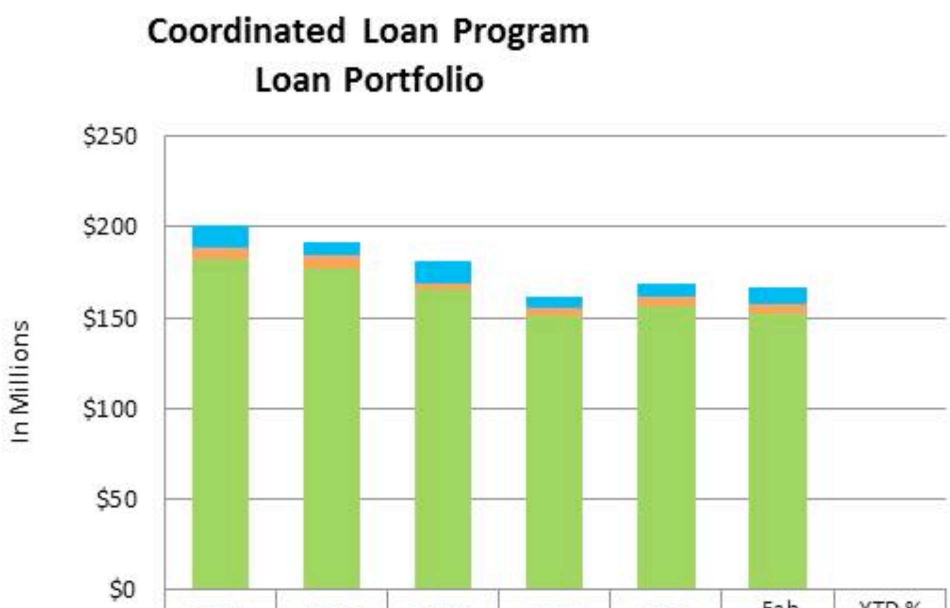
ITEM A.212
FOR INFORMATION

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 the combination of the Investment and Loan Program and the Church Loan Program, that is, a combination of lending for capital purposes from both the investor funds and the endowment funds. The total loan portfolio is $167 million ("M"); including a pipeline of $14.7M in commitments not yet closed and closed loans not yet disbursed. Although this is a drop of $1.7M this year due to excessive payoffs and pay downs ($5.1M) – particularly in the endowment funded loan portfolio – we continued to see growth in the loan demand. The pipeline of new loans grew $2.2M during this same period – a time that is traditionally a slow period in the calendar year. After experiencing in 2015 the first annual growth in the Coordinated Loan Portfolio since 2011, we will be striving hard to keep this going. As mentioned before, stemming the severe decline in the endowment loan portfolio is essential to keeping this growth trend in the Coordinated Loan Portfolio alive this year.

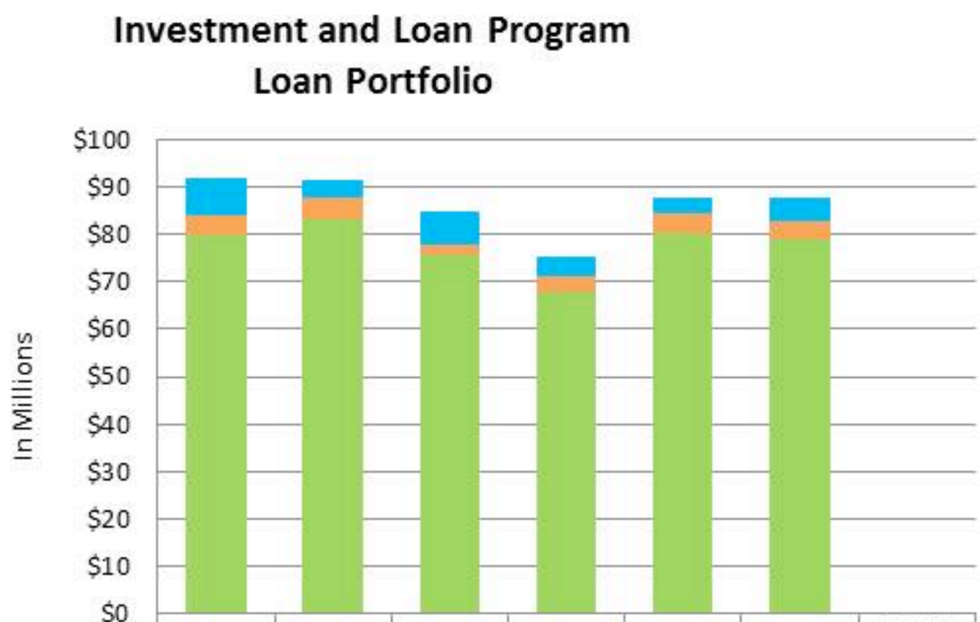


	2011	2012	2013	2014	2015	Feb 2016	YTD % Change
Commitments Pending Close	$11.6	$7.0	$11.6	$6.6	$6.9	$9.4	35.8 %
Closed Loans Pending Disbursal	$6.9	$7.6	$3.9	$4.2	$5.6	$5.3	-4.5%
Disbursed Loan Portfolio	$182.0	$176.9	$165.2	$150.7	$156.3	$152.3	-2.6%

Total Pipeline	$ 18.5	$ 14.6	$ 15.6	$ 10.8	$ 12.5	$ 14.7	17.8%
Total Portfolio w/ Pipeline	$ 200.5	$ 191.5	$ 180.8	$ 161.5	$ 168.7	$ 167.0	-1.1%

INVESTOR FUNDED LOANS

The low level of investor loan disbursements (February YTD: $221K) to start out 2016 is mostly a timing issue as the pipeline at the beginning of 2016 was down only $100K from the beginning of 2015 – after having a high level ($23.6M) of disbursements during 2015. Loan projects were simply not moving forward to the point of disbursing although we did add $1.2M to the pipeline. We began to see some movement in March which will significantly improve investor-funded disbursements during 2Q.



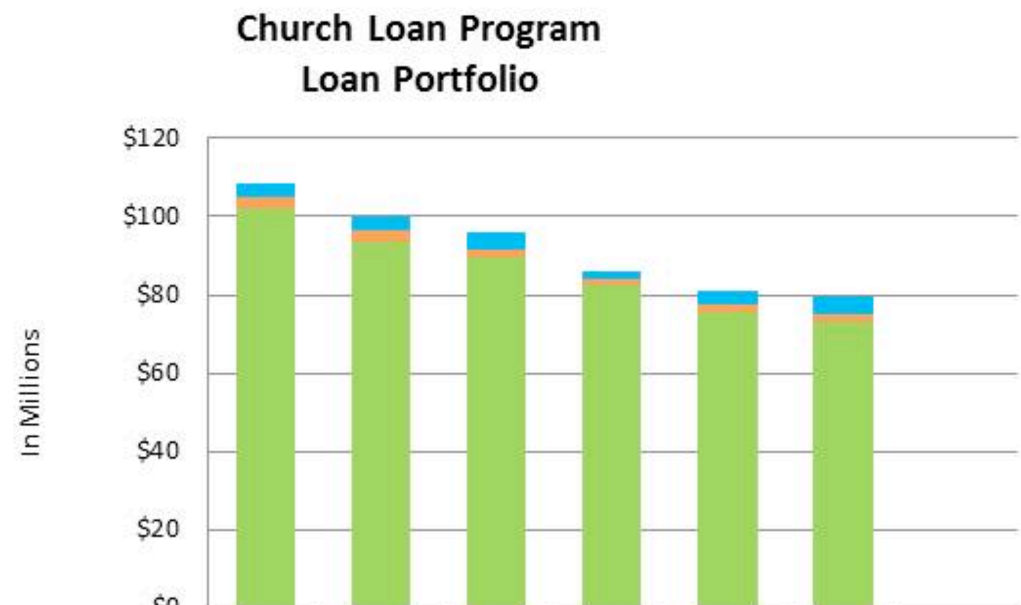
	2011	2012	2013	2014	2015	Feb 2016	YTD % Change
Commitments Pending Close	$7.9	$3.6	$7.1	$4.4	$3.4	$4.9	42.1%
Closed Loans Pending Disbursal	$4.3	$4.5	$1.9	$3.0	$3.8	$3.6	-6.0%
Disbursed Loan Portfolio	$79.8	$83.3	$75.9	$68.0	$80.5	$79.1	-1.8%
Total Pipeline	$ 12.1	$ 8.1	$ 8.9	$ 7.4	$ 7.3	$ 8.5	16.8%
Total Portfolio w/ Pipeline	$ 91.9	$ 91.4	$ 84.8	$ 75.4	$ 87.8	$ 87.6	-0.2%

The investor-funded portfolio received principal payments of $1.7M in the first two months. Contrary to the endowment-funded loan portfolio, this is actually the lowest average level of payoffs since 2012. Two months does not a year make but our hope is that this is indicative of a continual declining level of denominational unrest - such unrest that has fueled higher loan payoffs in the investor-funded loan portfolio over the past few years.

We have continued to keep the investor-funded loan pricing steady at a base rate of 4.25%. With market rates taking a bit of a roller coaster ride over the past couple months, we found that the base rate still faced competition well. This is one of the advantages of setting the ILP base loan interest rate primarily off of the ILP cost of funds as opposed to a market index. It helps shield our borrowers from sudden and short-lived market movements that could carry negative repercussions.

ENDOWMENT FUNDED LOANS

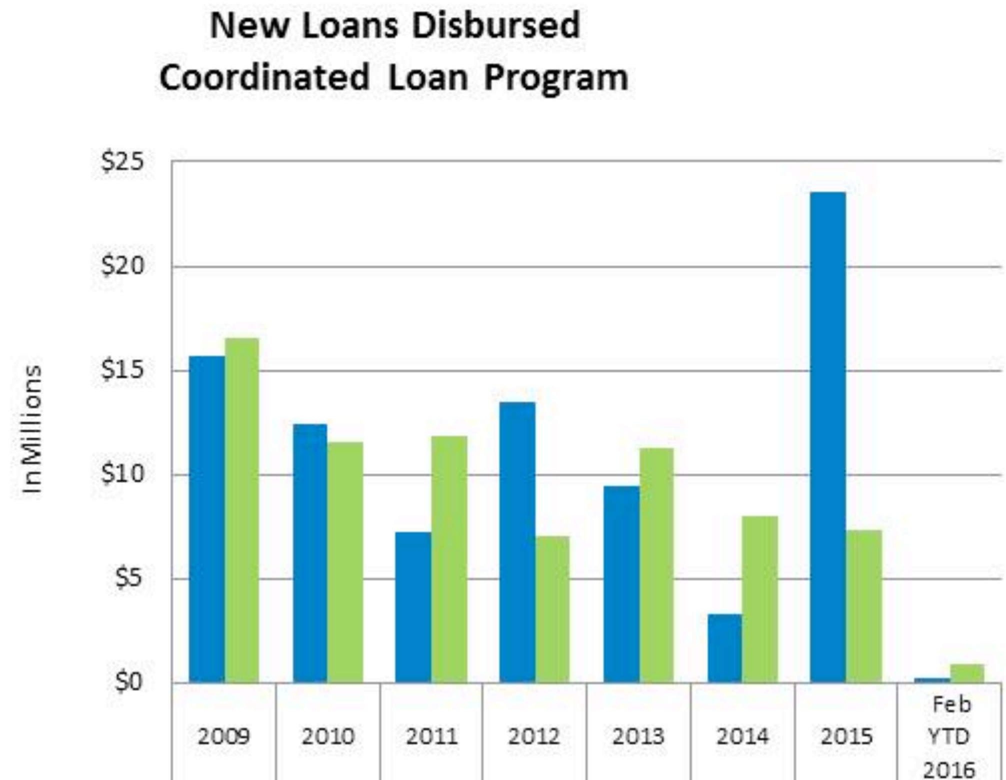
We continue to see an increase in endowment funded loan activity. During 2014 the pipeline of new loans (approved loans not yet closed and closed loans not yet fully disbursed) dropped to a low of $3.4 million ("M"). Loan demand began picking up during the fall of 2014 and continued throughout 2015 pushing the pipeline back up to $5.2M by the end of 2015. During the first two months of 2016 we have added another $1M to the pipeline of new loans.



	2011	2012	2013	2014	2015	Feb 2016	YTD % Change
Commitments Pending Close	$3.8	$3.3	$4.6	$2.1	$3.5	$4.5	29.5 %
Closed Loans Pending Disbursal	$2.6	$3.1	$2.1	$1.2	$1.7	$1.7	-1.3%
Disbursed Loan Portfolio	$102.2	$93.6	$89.3	$82.7	$75.7	$73.2	-3.4%

Total Pipeline	$ 6.4	$ 6.5	$ 6.6	$ 3.4	$ 5.2	$ 6.2	19.2 %
Total Portfolio w/ Pipeline	$ 108.6	$ 100.1	$ 95.9	$ 86.1	$ 81.0	$ 79.4	- 2.0 %

Additionally, the loan disbursements of $870 thousand ("K") during these first two months of 2016 were double that of last year for the same period and significantly stronger than the investor funded loan disbursements. However, this was still not enough to stop the steady drop of the Church Loan Program ("CLP") loan portfolio. Unlike the investor funded portfolio, principal payments jumped to the highest in years at a monthly average of $1.7M. We have not seen any particular issues behind this dramatic increase. It appears to be churches simply wanting to reduce their debt with several borrowers liquidating investments to pay down their loans. The first couple months of the year normally does see an increase in unscheduled principal pay downs and payoffs. This generally happens as borrowers review their year-end financial situation and either apply surpluses to additional loan payments or decide to adjust their balance sheets using savings/investments to pay down their loans. Hopefully this is that type of jump in pay downs (albeit larger than most) and it will soften over the coming months. The increase in the pipeline to $6.2M is certainly a favorable move; however, we still need a pipeline in the $8M to $10M range to stop the overall decline in the disbursed loan portfolio.

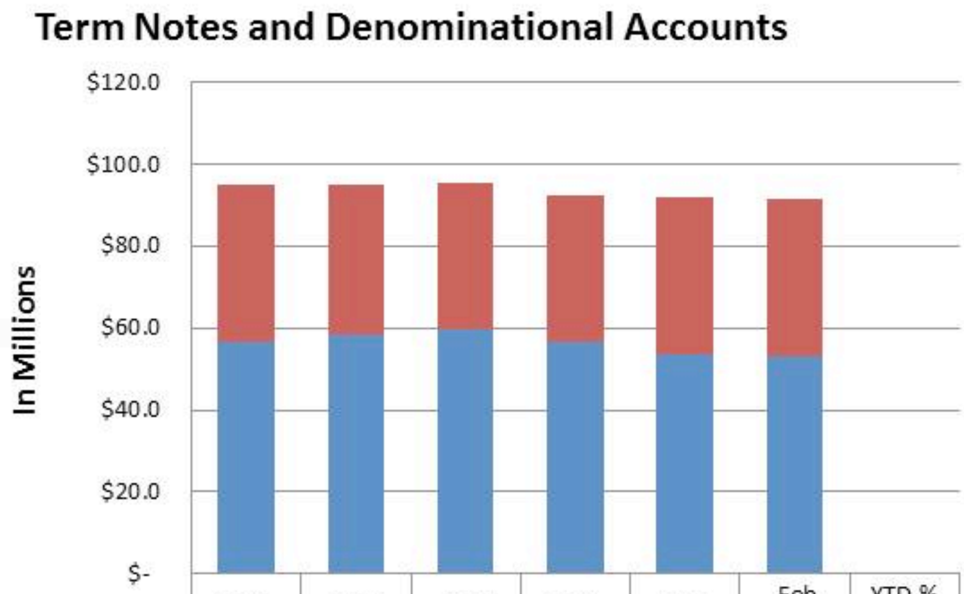


	2009	2010	2011	2012	2013	2014	2015	Feb YTD 2016
Investor Funds	$15.7	$12.4	$7.2	$13.5	$9.4	$3.3	$23.6	$0.2
Endowment Funds	$16.5	$11.6	$11.8	$7.0	$11.3	$8.0	$7.3	$0.9
Total Disbursements	$32.3	$24.0	$19.0	$20.5	$20.7	$11.3	$30.9	$1.1

During the first two months of 2016 we saw a reversal in disbursement activity. Although both sources of funding had low disbursements, the endowment funds far outweighed the investor funds. The relative size of the respective pipelines does not support this continuing throughout the year. However, the funds should be significantly closer in total annual disbursements than we witnessed in 2015.

The extreme year in investor-funded loan disbursements during 2015 was certainly an outlier in the graph above. Normally the endowment-funded disbursements are either higher than or close to the investor-funded loan disbursements. The challenge we presented at the first of this year was two-fold: get the endowment-funded disbursements back to the level that grows the portfolio and avoid a steep drop in the investor-funded disbursements back to the low levels seen in ’13 and ’14. We have been successful this year in moving the pipelines of loans higher in both programs but we need to be able to do this while our disbursements are at higher levels in order to see the growth we desire.

Most of our Restoring Creation Loans (“RCL”) are funded through the endowment funds due to their size. We have been marketing the RCL for just over nine months now and it appears that it is gaining some momentum. We are seeing increased volume but most of the larger loans are energy efficiency projects within larger renovation projects. This is still a positive move toward reducing our denomination’s carbon footprint; however, our goal is to have more of these loans come from churches that are initiating projects solely to improve their energy efficiency. We will keep the visibility of this loan throughout our marketing materials and our presentations. The base interest rate for loans to existing congregations from the Church Loan Program remains at 3.5%. The RCL rate remains at 2.5%, a highly attractive rate. Rates can be further reduced by 0.25% for congregations with strong mission giving to the Presbyterian Church (U.S.A.).



	2011	2012	2013	2014	2015	Feb 2016	YTD % Change
Denominational Accounts	$38.1	$36.5	$36.0	$35.8	$38.2	$38.2	0%
Term Notes	$56.8	$58.5	$59.5	$56.6	$53.7	$53.3	-0.7%

Total Investments	$94.9	$95.0	$95.5	$92.4	$91.8	$91.4	-0.4%

The total investment dollars have not seen any large drops over the past several years but have had this slow steady decline. We have not needed the additional funds due to the low loan demand so specific programs to increase the balances have not been initiated. However, we do not want this to continue as it is very challenging to build/re-build an investor base. We have already begun discussions about more aggressive approaches we may take to market our Term Notes and DARs. Work with the mid-councils has already begun through direct contact.

We will also be exploring ways of improving the transfer rate of investments from the Church Development Corporation as that program continues to wind down. This would not only help reverse the slow downward trend, it would also help move our Term Note/DAR mix. As previously stated, we have had a move of declining Term Note balances and increasing DAR balances. Although we certainly appreciate the growth in DARs (mid-council and agency funds), we would like to have growth in the amount and number of Term Notes which represent the individual and church investors. This provides a broader base of involvement throughout the denomination.

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 commitments that have been in place since 1999 are appreciated and essential to our ongoing ministry and still represent a significant portion of our DARs.