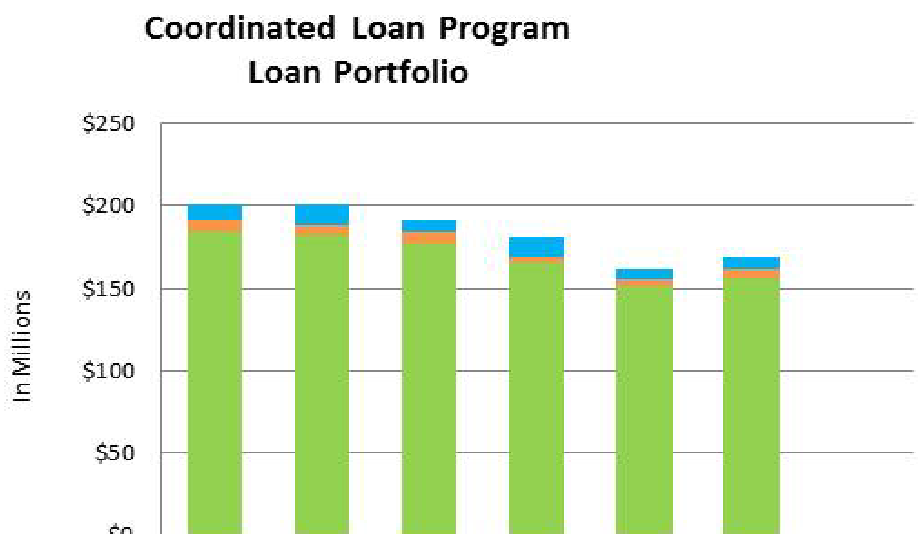
ITEM A.209
FOR INFORMATION

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. This represents the total lending program of the General Assembly for capital projects in congregations, mid-councils, and other PCUSA organizations. We are currently administering a total loan portfolio of $169 million (“M”); including a pipeline of $12.5M in commitments not yet closed and closed loans not yet disbursed. Gains in the ILP portfolio outweighed the decline in the Church Loan Program, generating the first annual growth in the Coordinated Loan Program Loan Portfolio since 2010.

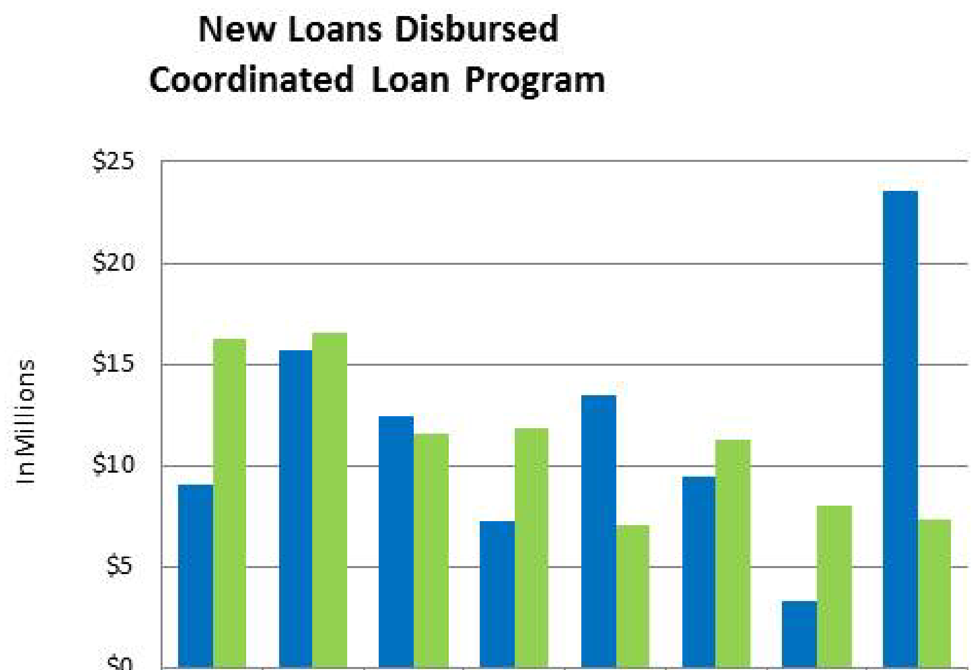


	2010	2011	2012	2013	2014	2015	% Change
Commitments Pending Close	$9.4	$11.6	$7.0	$11.6	$6.6	$6.9	4.5 %
Closed Loans Pending Disbursal	$6.8	$6.9	$7.6	$3.9	$4.2	$5.5	31.0%
Disbursed Loan Portfolio	$184.3	$182.0	$176.9	$165.2	$150.7	$156.3	3.7%

Total Pipeline	$ 16.2	$ 18.5	$ 14.6	$ 15.6	$ 10.8	$ 12.5	15.7%
Total Portfolio w/ Pipeline	$200.5	$200.5	$191.5	$180.8	$161.5	$168.7	4.5 %

Strong investor-funded loan disbursements of $23.5M during 2015 was a record year - easily clearing the bar set in 2009 at $15.7M - and the major reason for the growth in the Coordinated Loan Program Loan Portfolio. Several large refinancing loans made this happen. Some moved to find better interest rates, some were facing banks that were decreasing their exposure to non-profit lending by creating unfavorable terms, and we had two that found value in borrowing from the denominational lender as a way of doing mission – their loan interest dollars would go back into a program to fund Presbyterian Church growth rather than going to a commercial bank.

This extreme year in investor-funded loan disbursements is certainly an outlier in the graph below and a reversal to the decline experienced in the past two years. Conversely, the endowment-funded loan disbursements remained somewhat stable when compared to 2014 but at a lower level than seen in the past. However, the combined disbursements of $30.9M were significantly above 2014 and the highest since 2009.



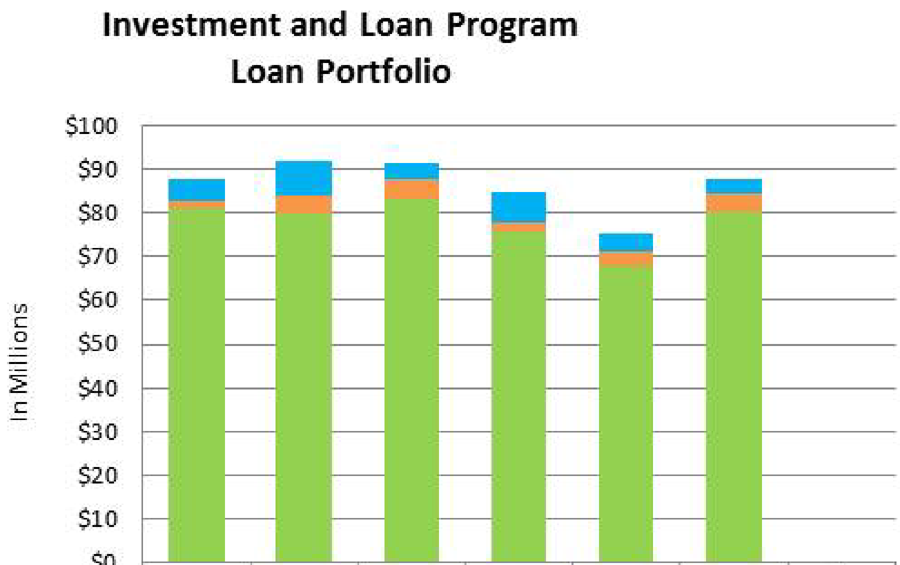
	2008	2009	2010	2011	2012	2013	2014	2015
Investor Funds	$9.1	$15.7	$12.4	$7.2	$13.5	$9.4	$3.3	$23.6
Endowment Funds	$16.3	$16.5	$11.6	$11.8	$7.0	$11.3	$8.0	$7.3

Total Disbursements	$25.4	$32.3	$24.0	$19.0	$20.5	$20.7	$11.3	$30.9

INVESTOR FUNDED LOANS

Strong fourth quarter ("4Q") new loan disbursements from investor funds of $7.4 million ("M") combined with no significant loan payoffs helped push the investor-funded disbursed loan portfolio back above $80M for the first time since 2012. Although there were many construction loan disbursements included in this 4Q disbursement figure, refinancing of a commercial loan and a bond issue made up the vast majority of the volume.

The 18.4% increase in the disbursed loan portfolio during 2015 (net increase of $12.5M) reversed a two-year downward trend and included a varied mix of loan projects. We had our first participation loan (outside the Church Loan Program's endowment funds) since 2005, partnering with the Synod of the Pacific's loan program to refinance a large camp and conference loan. We had a second participation loan with one of our ecumenical partners; the Evangelical Lutheran Church of America's lending organization, the Mission Investment Fund. We made a loan to one of the largest churches in our denomination (the second participation loan) and funded a renovation loan to our denomination's Historical Society. We made a loan to a church in Puerto Rico. As with any year, we had many church renovation loans and some expansion loans – but at a higher volume than we have seen in a few years.



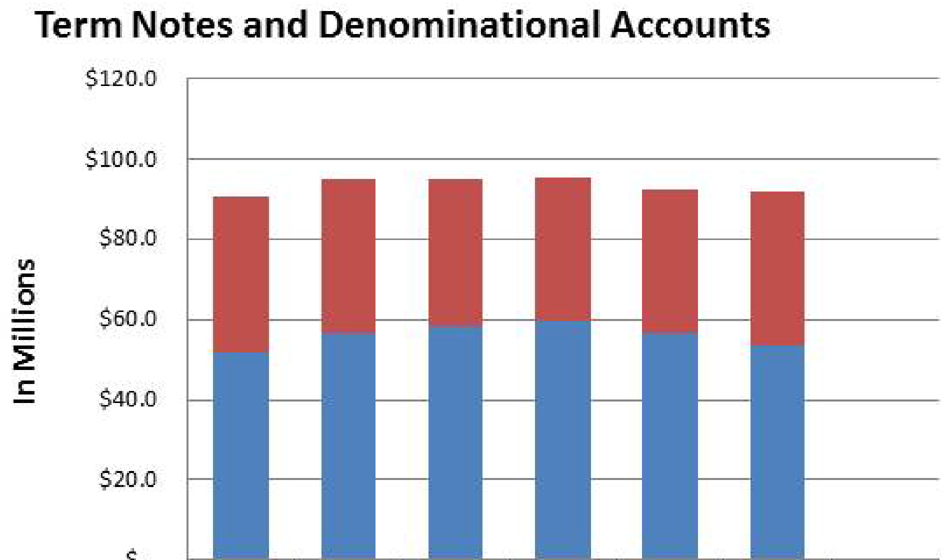
	2010	2011	2012	2013	2014	2015	% Change
Commitments Pending Close	$4.8	$7.9	$3.6	$7.1	$4.4	$3.4	-22.7%
Closed Loans Pending Disbursal	$1.9	$4.3	$4.5	$1.9	$3.0	$3.8	26.7%
Disbursed Loan Portfolio	$81.1	$79.8	$83.3	$75.9	$68.0	$80.5	18.4%

Total Pipeline	$ 6.7	$12.1	$ 8.1	$ 8.9	$ 7.4	$ 7.3	-1.4%
Total Portfolio w/ Pipeline	$87.8	$91.9	$91.4	$84.8	$75.4	$87.8	16.4%

The base interest rate for investor funds remains at 4.25%. Borrowers have the opportunity to lower their effective interest rate through our rebate program - as 74% of our borrowers utilizing investor funds did. After much chatter with no action over the past six years, interest rates began to move upward during 4Q. The impact of the Fed increase on overall market interest rates may be muted by global economic concerns, but should they move upward, our larger loan portfolio will position us well in delaying loan interest rate hikes of our own. Having the larger loan portfolio reduces the interest rate margin needed to cover our operating costs, delaying necessary loan interest rate increases. The delayed increases should assist in additional loan growth as well as further improving our mission of providing low cost loans to our borrowers. Pricing off of our cost of funds (which tends to lag the market) as opposed to a market index, also helps us keep our rate increase on hold for a bit longer.

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 $7.5M in payoffs during 2015. However, activity such as this appears to be waning. The largest factor in the payoffs, churches paying off loans due to leaving our denomination, has certainly not disappeared but has clearly quieted down.

The total investment dollars have continued to show little change this year, however, the mix between Term Notes and DARs continues to move to the favor of the DARs. As stated previously, 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. It seems that much of this has been temporarily "parked" in Mission Market Fund accounts, however, we are increasingly seeing presbyteries link their investments in support of loans within their presbytery to increase rebates earned for their churches. This will develop a greater desire to turn some of those temporary investments into longer term investment commitments. Our preference is still 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.



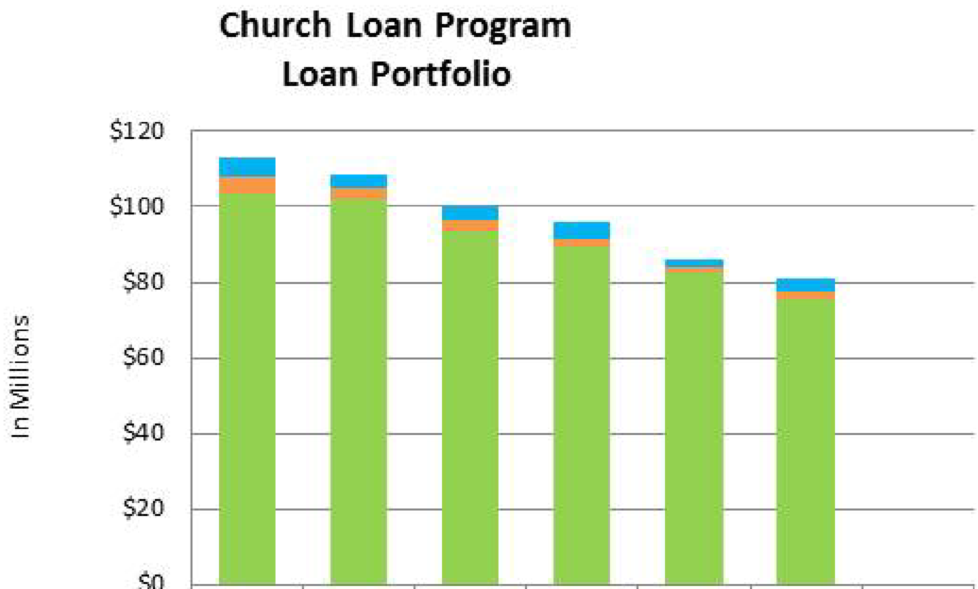
	2010	2011	2012	2013	2014	2015	% Change
Denominational Accounts	$39.2	$38.1	$36.5	$36.0	$35.8	$38.2	6.7 %
Term Notes	$51.7	$56.8	$58.5	$59.5	$56.6	$53.7	-5.1 %
Total Investments	$90.9	$94.9	$95.0	$95.5	$92.4	$91.8	-0.6%

The $1.1M uptick in total investments we experienced in the first half of 2015 fully eroded during 3Q. We still enjoy a strong cash/liquidity position but the move below $92M now marks two years of declining numbers. Although we do have an excess of cash right now, I do not want these balances to drop much further. Building an investor base takes time. Replacing lost accounts is not only challenging, it can be costly if you need to incentivize.

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.

ENDOWMENT FUNDED LOANS

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 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 $5.2M as of the end of 2015. 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.



	2010	2011	2012	2013	2014	2015	% Change
Commitments Pending Close	$4.6	$3.8	$3.3	$4.6	$2.1	$3.5	66.7 %
Closed Loans Pending Disbursal	$4.8	$2.6	$3.1	$2.1	$1.2	$1.7	41.7%
Disbursed Loan Portfolio	$103.3	$102.2	$93.6	$89.3	$82.7	$75.7	-8.5%

Total Pipeline	$ 9.5	$ 6.4	$ 6.5	$ 6.6	$ 3.4	$ 5.2	52.9 %
Total Portfolio w/ Pipeline	$112.7	$108.6	$100.1	$95.9	$86.1	$80.9	- 6.0 %

For the year, the disbursed loan portfolio dropped $7M (down 8.5%). 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. Much like the investor-funded portfolio, higher payoffs than normal have occurred 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. Also, as mentioned before, the mature nature of the endowment loan portfolio has many loans deep into their amortization schedule causing the scheduled monthly principal pay downs to be large – now approximately $900K per month.

However, we did experience a slight increase in 4Q of $500K as we saw a significant increase in disbursements. The new loan disbursements of $3.4M during the final quarter of 2015 almost matched the first three quarters of the year. The hit to the loan pipeline was not too severe (dropping $600K) given the high level of disbursements. The improved pipeline of $5.2M needs to move up about 50% to sustain the portfolio, higher to get the portfolio growing again. We continue to see increased interest in our new loan product, the Restoring Creation Loan, which will help loan volume but the loans continue to be the smaller loans. In addition to seeking opportunities for increased visibility at various denominational events, we continue to look for other ways of reaching out to potential borrowers through presbyteries and direct mail.

The base interest rate for loans to existing congregations from the Church Loan Program remains at 3.5%. The Restoring Creation Loan 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.).