

PRESBYTERIAN MISSION AGENCY BOARD

April 23-25, 2014

Presbyterian Investment and Loan Program

**ITEM A.208
FOR INFORMATION**

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 \$170.7 million, including a pipeline of \$.6.6 million in closed loans not yet disbursed and commitments not yet closed. During the first two months of 2014 the disbursed loan portfolio decreased by \$2.1 million. More significantly, the pipeline of new loans decreased by \$8.9 million due primarily to two loans that were approved, but later cancelled due to the perception of a better deal at local banks.

COORDINATED LOAN PROGRAM Loan Portfolio							
	12/31/09	12/31/10	12/31//11	12/31/12	12/31/13	2/28/14	Year to Date Change
Disbursed Loan Portfolio	\$179,686,369	\$184,312,088	\$182,021,102	\$176,878,647	\$165,173,162	\$163,031,230	-1.3%
Closed Loans Pending Disbursal	\$8,533,053	\$6,756,291	\$6,878,883	\$7,607,601	\$3,935,775	\$1,191,409	-69.7%
Commitments Pending Close	\$9,842,401	\$9,437,870	\$11,643,889	\$6,989,925	\$11,644,000	\$6,455,618	-44.6%
Total	\$198,061,823	\$200,506,249	\$200,543,874	\$191,476,173	\$180,752,937	\$170,678,257	-5.6%

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 \$225 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 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 2013 the disbursed loan portfolio of endowment funds decreased by \$4.3 million. In the first two months of 2014 the disbursed loan portfolio decreased by another \$2.2 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 has remained stable at about \$6.4 million.

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CHURCH LOAN PROGRAM							
Loan Portfolio							
	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	2/28/14	Year to Date Change
Disbursed Loan Portfolio	\$105,699,365	\$103,259,405	\$102,220,827	\$93,625,457	\$89,301,668	\$87,128,896	-2.4%
Closed Loans Pending Disbursal	\$3,771,746	\$4,849,726	\$2,624,835	\$3,123,806	\$2,065,059	\$1,147,252	-44.4%
Commitments Pending Close	\$4,470,981	\$4,630,910	\$3,765,850	\$3,347,925	\$4,580,560	\$5,267,178	15.0%
Total	\$113,942,092	\$112,740,041	\$108,611,512	\$100,097,188	\$95,947,287	\$93,543,326	-2.5%

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.).

During 2013 the disbursed loan portfolio from investor funds decreased by \$7.4 million, in spite of strong disbursements earlier in the year. There has been very little change in the disbursed portfolio in 2014. The pipeline of commitments pending close and closed loans pending disbursal is \$8.9 million as of December 31, 2013, which is an increase of \$808,361 from December 31, 2012. We made commitments on several large loans, which replenished the pipeline at year end. We lost these loans in the first two months of 2014, which dramatically reduced the pipeline. 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	2/28/14	Year to Date Change
Disbursed Loan Portfolio	\$73,987,004	\$81,052,683	\$79,800,275	\$83,253,191	\$75,871,494	\$75,902,344	0.0%
Closed Loans Pending Disbursal	\$4,761,307	\$1,906,565	\$4,254,048	\$4,483,795	\$1,870,716	\$44,157	-97.6%
Commitments Pending Close	\$5,371,420	\$4,806,960	\$7,878,039	\$3,642,000	\$7,063,440	\$1,188,440	-83.2%
Total	\$84,119,731	\$87,766,208	\$91,932,362	\$91,378,985	\$84,805,650	\$77,134,931	-9.0%

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

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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 disbursed slightly more in 2013 than 2012. However, disbursements from endowment funds were up \$4.2 million and disbursements from investor funds were down \$4.2 million. With a very small pipeline of new loans it will be difficult to maintain our normal level of disbursement in 2014.

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 2/29/14	\$1,750,000	0	\$743,935	\$2,493,935

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We have been able to maintain sufficient investment sales to keep investments at about \$94 million, which meets the existing loan demand and maintains the liquidity requirement without special promotions.

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	2/28/ 14	Year to Date Change
Notes	\$44,506,716	\$51,740,639	\$56,819,730	\$58,480,002	\$59,494,768	\$58,204,887	-2.2%
Denominational Accounts	\$35,087,835	\$39,173,469	\$38,121,633	\$36,549,946	\$35,988,862	\$36,077,852	0.2%
Total	\$79,594,551	\$90,914,108	\$94,941,363	\$95,029,948	\$95,483,630	\$94,282,739	-1.3%

Investment sales exceeded redemptions by \$453,682 in 2013. During 2013 investments from mid-councils including the Church Development Corporation of the Synod of Mid-America declined slightly and investments from individuals, congregations and others purchasing Term Notes increased by \$1.1 million. The \$15 million deposit commitments from PC (U.S.A.), A Corp and from the Presbyterian Foundation are appreciated and essential to our ongoing growth.

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.