Parish Revolving Fund (PRF)

Loan Policy
The PRF Commission is authorized to:

- Recommend loan programs and borrowing rates,
- Recommend approval, declination, or modification of loan requests from parishes and,
- Monitor the loan portfolio for performance and past due loans.

This policy statement outlines the active loan programs, the loan program guidelines, the approval and underwriting process, criteria for loan application evaluation and portfolio risk management policies.

**SECTION 1: PRF Loan Programs**

PRF loan programs support the parish communities of the Archdiocese of Seattle, to accomplish their missions.

Loan programs include:

- One year interest only lines of credit for pending capital campaigns (renewable if necessary, to complete campaigns) or short term specified capital investment needs. (i.e., not operating working capital).
- Multi-year (not to exceed two years) interest only special purpose bridge loans with identifiable events providing a source of repayment (i.e., pending bequest in probate, pending gift or asset sale, capital campaign funding etc.).
- Five-year renewable construction/term loans with an interest-only payment requirement during the construction period, and a fifteen-year fully amortizing term loan after completion of construction.
- Fifteen-year fully amortizing property purchase loans with principal and interest monthly.
- Twenty to thirty-year amortizing term loans will be considered by special request.
- Custom loans for unique cash flow needs or situations.

**Real Estate Property Purchase Loans – Typical Guidelines**

Property purchase loans represent higher risk factors to the PRF fund. Property purchase loans are typically available with fifteen-year amortizations (longer term amortizations up to 30 years may be available under special circumstances). Property purchase loan applications should include a master plan approved the Archdiocese Property and Construction department. The maximum loan for purchasing approved property is 70% of the cost of the property.

**Real Estate Construction Loans – Typical Guidelines**

Real estate construction loans represent higher risk factors to the PRF fund. The PRF will typically loan a maximum of 40% of the cost of construction. For parishes receiving a PRF construction term loan, the parish must provide 60% of the total construction cost. 50% should be on PRF deposit, invested already in the project, before the start of construction. The remaining 10% should be raised prior to the completion of construction.
Loan Interest Rates

Interest rates are floating rates and typically established on an annual basis. These interest rates are included in the annual Budget Letter. Deviations from established rates are communicated via email and the weekly Chancery to Parish C2P from Parish Financial Services. For more information, please contact Parish Financial Services.

SECTION 2: Loan Approval Process, Information Requirements, and Evaluation Criteria

Loan Approval Process

The Parish Revolving Fund Commission meets approximately once per month to consider loan requests. Parishes seeking a loan should contact the Assistant Director for Savings and Loan Operations at least one month ahead of the Commission’s consideration of the loan application. All information required to support a loan application should be submitted to the Assistant Director two weeks prior to a scheduled Commission meeting. Any material change in use of approved loan proceeds or the opportunities financed (including costs) must receive prior PRF Commission approval.

Information Requirements for Underwriting

Information requirements to support a loan application are determined by the size of the loan requested, the purpose of the loan, and the parish debt service capacity as determined by the debt service ratio (please see Appendix B).

All loan requests should include the following:

1. A Loan Request Letter signed by the pastor, priest administrator or pastoral coordinator and Finance Council Chair,
2. A completed Loan Application, and
3. Financial statements and forecasts as outlined in Appendix A.

Loan Request Letter

The Loan Request Letter is a brief cover letter summarizing the loan request, the opportunity being financed and the role the project or purchase represents to the community in carrying out its mission.

The first paragraph highlights the type, term and amount of the requested loan, the purpose of the loan, and a brief identification of the sources of repayment (parish operations, capital campaign, or other source). A more detailed explanation is submitted through the credit application.

The second paragraph should highlight how the opportunity came to be, the relevant costs, and the parish investment in the opportunity.

The third paragraph should highlight the parish community and how undertaking will support the parish community mission.
Loan Application

The Loan Application provides a more detailed analysis of the loan request, the costs and timing, the financing plan, the sources of repayment and the parish debt service capacity. Parishes should highlight the trends in stewardship, activities and cash flow that assure the ability to repay the debt.

Financial Information

Minimum financial information include:

1. Year-end financial reports for three years,
2. A current year budget with year-to-date actuals and an end of year projection for the parish and school (if the parish has a school). School data is requested even if a loan request is specifically for parish capital investment.
3. Parish historical family contribution trend data for the last three years
4. Loan(s) requests larger than $250,000 should be supported with an Archdiocesan Funding and Financing Plan, an Archdiocesan Construction Budget (if applicable) and an Annual Debt Service Calculation Worksheet (Appendix B).
5. Loan(s) larger than $1,500,000, should include a debt service forecast model available from Parish Financial Services.

Additional information may be requested in the course of reviewing the submitted material.

Application Evaluation Criteria

Parish Loan Requests will be evaluated for debt service capability, including strong consultative structures, annual operational stability, financial management and fundraising capability (including stewardship appeals). The PRF Commission will also review participation in the Annual Catholic Appeal and Archdiocesan sponsored capital campaigns.
SECTION 3: Loan Portfolio Risk Management Policies

Loan Portfolio Concentration Limits

The PRF Commission monitors the loan portfolio for risk from both individual parishes and the aggregate loan exposure.

Aggregate Single Borrower Limits

Total loan exposure to an individual parish is limited to 10% of the total Parish Revolving Fund deposit liability at the time of approval.

Aggregate Parish Credit Portfolio Loan Limits

Aggregate loan exposure including all loans to all parishes in the Archdiocese of Seattle is limited to 75% of the total Parish Revolving Fund deposit liability.

Loan Portfolio Monitoring Policy

The loan portfolio is continuously monitored for loan quality. Reserves are maintained as a function of credit risk assessments.

PRF Quarterly Monitoring Borrowing Certificate

Term loans in excess of $250,000 or parishes with an annual debt service capacity less than 120% (including received pledge balances) are monitored by filing a Quarterly Borrowing Certificate of Debt Service Capability with Parish Financial Services (Appendix C). The Borrowing Certificate measures the cash flow as reported in parish financial statements (aggregated for three months) and divides that total by the parish PRF loan payments for the same period (aggregated for three months).

Cash flow should exceed payments by 120%.

Payment Policy

Parishes must contact Parish Financial Services if they are unable to make a scheduled payment. Non-performing loans continue to separately accrue interest charges. Subsequent payments are applied to any accrued interest first, and then to principal. The PRF uses a 360/actual ‘simple interest’ calculation (versus a compound interest calculation). Interest is only calculated on outstanding principal.
## Appendix A: MINIMUM Financial Information Requirements Matrix

<table>
<thead>
<tr>
<th>Minimum Financial Information Requirements</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requests less than $250,000 and Where the Annual Debt Service Ratio exceeds 120% of PRF debt payments. (Appendix B Worksheet). <em>If less than 120% please use column B</em></td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Requests less than $250,000 where the Annual Debt Service ratio is less than 120% of PRF debt payments. or Requests between $250,000 and $1,500,000 and Where the Annual Debt Service Ratio exceeds 120% of PRF debt payments (Appendix B Worksheet). <em>If less than 120% please use column C</em></td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Requests for $250,000-$1,500,000 where the Annual Debt Service Ratio is less than 120% or Requests greater than $1,500,000</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Loan Request Letter</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Year-end financial reports for three years</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
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<tr>
<td>Current Year Operating Budget with year-to-date actuals and an end-of-year projection for both parish and school, including a capital budget (if applicable)</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Parish Data Sheet showing family contribution data for the last three years</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Initial Funding and Financing Plan</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>PRF Annual Debt Service Calculation Worksheet (Appendix B)</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Archdiocese Construction Budget Worksheet (If applicable)</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Debt Service Forecast Model</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
</tbody>
</table>
Appendix B: Annual Debt Service Calculation Worksheet

(Name of Parish)
PRF Loan (Number/s)

PRF Annual Debt Service Calculation Worksheet
For Fiscal End of Year
_____/_____/_____

(All Amounts for Prior 12 months)

Parish Net Income $_____________ (1)

Plus:
Account 6201 (Depreciation) $_____________ (2)

Account 6105 (PRF Interest Expense) $_____________ (3)

Any Direct Subsidy to Parish School Restricted to PRF Debt $_____________ (4)

Any savings available to debt service above 3-mo. operating res. $_____________ (5)

TOTAL $_____________ (6)

PRF Interest & Principal PMTS (Current + Projected) $_____________ (7)

(LINE 6 / LINE 7) X 100 %
(Should be higher than 120%)
Appendix B: Quarterly Monitoring Borrowing Certificate Template

(Name of Parish)
PRF Loan (Number/s)

PRF Quarterly Monitoring Borrowing Certificate
For Quarter Ending

/ / /
(All Amounts for Prior 3 months)

Parish Net Income $_____________ (1)

Plus:
Account 6201 (Depreciation) $_____________ (2)
Account 6105 (PRF Interest Expense) $_____________ (3)
Any Direct Subsidy to Parish School Restricted to PRF Debt $_____________ (4)
Any savings available to debt service above 3-mo. operating res. $_____________ (5)

TOTAL $_____________ (6)

PRF Interest & Principal PMTS (Current + Projected) $_____________ (7)

(LINE 6 / LINE 7) X 100

_____________%

Calculated By: ________________________________

PAA Name & Signature_______________________________________________

Pastor(al Leader) Signature____________________________________________

Have you shared this with your Finance Council? Yes ___ No ___

This form is due 20 days after the end of each quarter (Jan. 20, April 20, July 20, Oct. 20).
Email or fax to Parish Financial Services parishfinancialsvcs@seattlearch.org / 206.382.4279