

Presbytery of Northern Kansas  
GUIDELINES FOR APPROVAL OF ENCUMBERING CHURCH PROPERTY  
*Approved January 20, 2004*

A congregation shall be considered eligible to request approval from the Presbytery for encumbering church property providing that it has demonstrated its involvement in the life of the Presbytery of Northern Kansas and the Presbyterian Church (U.S.A.). While no single deficiency may be grounds for non-approval, the Board will consider a congregation's full participation in the fiscal and ecclesiastical life of the Presbytery, including but not necessarily limited to the paying of per capita, the making and meeting of a mission pledge, being current on the Board of Pensions dues, the filing of annual statistical reports, the annual reporting of the pastor's terms of call, attendance at Presbytery meetings, and service on the committees, boards and task forces of the Presbytery. Where one or more deficiencies may exist, the congregation shall have the opportunity to provide a rationale for its lack of participation prior to action being taken by the Board of Trustees. The Board's consideration shall be in compliance with the *Book of Order* as interpreted by the Permanent Judicial Commissions of the Presbytery, synod and General Assembly.

In general:

- Ø The church shall have 1/6 of the total projected cost of the project as cash/securities on hand and earmarked for the project.
  - Ø The church shall have at least an additional 1/3 of the projected cost of the project secured by congregational pledge program (not exceeding three years).
  - Ø The church shall be allowed to negotiate a permanent loan of no more than 2/3 of the total projected cost of the project.
    - a. The loan mortgage shall not be for more than 25 years.
    - b. Each year the Board of Trustees of the Presbytery shall review the loan status.
  - Ø If required by a lender, the Presbytery will co-sign or guarantee a mortgage loan.
1. A financial plan for funding the project and for the repayment of the loan shall be carefully developed by the Session with attention to accuracy and feasibility and presented in writing to the Presbytery's Board of Trustees.
  2. The Board of Trustees of the Presbytery shall critically review and vote to recommend to Presbytery approval or disapproval of the financial plan as outlined in the preceding paragraph which shall be entered in the minutes of the governing bodies involved.
  3. Building fund pledge receipts for funded projects shall be recorded and held in a separate ledger account and applied directly to actual costs of the project or to the reduction of the project's mortgage.
  4. The church shall incur no financial obligations that are not scheduled as part of the approved Financial Plan for the respective project, or other financial obligations which impact upon the approved debt structure without prior authorization of the Presbytery.
  5. The church is responsible for seeing that all documents that legally require recordation must be recorded in the register of deeds office in the county where the property is located.
  6. All applications submitted must include detailed cost estimates from a contractor or architect which outline the costs and expenses involved for the proposed project.
  7. The interest rate for a particular loan shall be set at the time of the loan application and shall remain in effect for the term specified in the letter of loan commitment and promissory note. Adjustable Rate Loans will be considered on a case-by-case basis.
  8. The church must provide to the Board of Trustees an excerpt of minutes of congregational and session meetings showing approval to borrow funds.

9. The church shall provide a copy of the general contractor's (or construction manager's) bid proposal, architect's contract, survey, church budget for the current year, end-of-year financial report for the preceding year, summary of building campaign pledges and up-to-date financial report to the Presbytery Board of Trustees.
10. Loan proceeds shall be used only for the purpose(s) for which they are borrowed **as** designated by the congregation.
11. The church shall maintain financial records of all receipts and disbursements of all funds related to this project in such a manner as shall enable verification at any time of the balance of project funds on hand and that the funds have been applied only to actual project costs and/or mortgage reductions.
12. The use of the church facility and the type of construction shall comply with all applicable building codes, zoning and EPA regulations.
13. All contractors shall provide liability insurance to protect the owner against construction errors and omissions (including a guarantee period of one year from the date of acceptance by the owner) and workmen's compensation, and lien waiver coverage.
14. Payment and performance bonds, builder's risk and vandalism insurance during the project's construction, fire and hazard, extended coverage and liability insurance must be carried on the full amount of the contract, and required documentary assurances must be provided at the conclusion of the project to indemnify the owner against mechanics liens.
15. The church shall furnish to the Board of Trustees through printed minutes (including financial statements and budgets) of each annual congregational meeting the terms and outstanding balances of loans until the loan is paid in full.

The Board of Trustees may recommend to Presbytery to waive or modify any part of the above Guidelines in extenuating circumstances.

LIST OF REQUIRED DOCUMENTS  
TO BE PROVIDED TO THE BOARD OF TRUSTEES  
PRIOR TO CLOSING OF LOAN

<b>Required Document or Action</b>	<b>Date Sent/Received</b>
Commitment for Title Insurance (if applicable)	
Proof of Insurance Coverage by Church	
Proof of Insurance Coverage by Contractor	
Proof of Insurance Coverage by Architect	
Performance Bond for Contractor (obtain from contractor)	
Environmental Audit (if applicable)	
Congregation Approval and Minutes	
Session Approval and Minutes	
Cost estimates from contractor and/or architect which outline the costs and expenses involved for the project	
Lender's Loan Commitment (if applicable)	
Project Financial Funding and Loan Repayment Plan	