

San Diego Catholic Account for Parishes and Schools

Loan Policy

Parishes, schools and other Catholic entities may borrow funds from the San Diego Catholic Account for Parishes and Schools (CAPS) provided that funds on deposit in CAPS are available to respond to depositor demands and additional loan requests.

Loan Types:

Bridge Loans: Bridge Loans are short term loans that are usually based on anticipated pledge collections, the proceeds from the sale of a parish or school asset, a bequest, or other sources of funds that will be collected during the loan repayment period.

Building Loans: Loans which are made to add to or improve the physical structure of a Catholic entity in the diocese and will be paid back to CAPS out of the normal operating profits of the entity.

Workout Loans: A loan modification made to an existing loan so as to make sure payments are sustained in a fair and equitable manner.

Emergency Loans: A non-revolving line of credit (LOC) will be extended to Diocesan parishes and schools that have an immediate cash need. LOC are limited to less than \$100,000 per borrower and must be repaid within 5 years.

Underwriting Guidelines

CAPS is permitted to make financially sensible loans that adhere to lending best practices. These best practices are to minimize financial risk for CAPS by ensuring liquidity, loan payback and financial sustainability. To attain these goals there are several overarching lending rules that must be followed:

- 1) CAPS must have less than a 90% loan to deposit ratio
 - a. 50% of outstanding loans by value must mature in less than 10 years
 - b. All loans must mature in less than 20 years unless a previous exception has been granted by the Bishop of San Diego
- 2) CAPS must have at least 5% of their deposits in free cash (available within 30 days)
- 3) The maximum loan that can be made is 5% of the total assets within CAPS unless a previous exception has been granted by the Bishop of San Diego
- 4) Each type of loan has a maximum term
- 5) For building loans, the entity must have on deposit in CAPS one-half of the cost of the approved cost of the project for which the loan is sought unless a previous exception has been granted by the Bishop of San Diego
- 6) The debt service should not exceed 25% of ordinary income at parish
- 7) Normally a loan of less than \$500,000 must be repaid within five years.
- 8) Loan payment history will be taken into account when deciding on a loan approval
- 9) Loan rates will be variable and will be market competitive as determined on a regular basis, at least yearly, by the CAPS Board. The minimum loan rate will be 2% above the average deposit rate.

CAPS is permitted to make Bridge Loans, Building loans and Workout loans if previously approved by the parish finance council or respective board of directors. Line of Credit loans may take place without prior approval but will be reported to the respective finance council or board and they will have the ability to rescind a Line of Credit as deemed necessary.

Bridge Loan With the approval of the CAPS board of directors and the signing of a loan agreement by the CAPS CFO a bridge loan may be funded if it meets the requirements above. A bridge loan has a maximum term of 5 years.

Building Loan With the approval of the CAPS board, the signing of a loan agreement by the CAPS CFO and approval by the Diocesan Building Committee a Building Loan can be made if it meets the requirements above. A Building Loan has a maximum term of 20 years.

Workout Loan With the approval of the CAPS board, the signing of a loan agreement by the CAPS CFO a workout loan can be made if it is in the best interest of both CAPS and the diocesan entity paying the loan. A workout loan has a maximum term of 20 years.

Emergency Line of Credit Emergency LOC be approved by the Diocesan CFO or Controller on behalf of CAPS.

Loan requests must be made in writing to the CAPS board through the Diocesan CFO. The request must be signed by the Pastor and Chair of the Parish Finance Council, with an approval of the entire Parish Finance Council. Additionally, the loan request must be approved by the Parish Support Corporation. If the request is for a high school, the request must be signed by the school President and Chair of the school board.

Loan requests must include the following:

- 1) Description of the project;
- 2) Building size, use and cost including all hard and soft costs;
- 3) Sources of funds, including cash on hand and description of other sources of funds. If a capital campaign to raise funds is needed, provide a copy of the financial feasibility study, discuss who will conduct the campaign, the cost to conduct the campaign, and state whether the Bishop has given approval to carry out the capital campaign;
- 4) Construction period, contractor and architect;
- 5) Comments received from the Diocesan Building Committee;
- 6) Requested amount and payback period.
- 7) Financial Statements of the requesting entity showing ability to debt service the requested loan;
- 8) Any further financial proof that you can meet the lending criteria

Emergency loans may be approved by the Diocesan CFO or Controller on behalf of CAPS.

Loan requests are reviewed by a committee composed of designated members from the Diocesan Building Committee, the CAPS board, and the Diocesan CFO prior to approval by the entire CAPS board.

Monthly interest payments will be due on loan draws during the construction period. Monthly payments of principal and interest will begin when construction is completed.

There is no penalty for early payment of a loan.