

USA CHURCH OF THE NAZARENE LOAN FUND

Frequently Asked Questions



1. Do you charge points or origination fees?

No. The USA Church of the Nazarene Loan Fund does not charge points or origination fees for loans. However, there are other closing costs involved.

2. What closing costs are involved?

Fees for the Lender's Title Insurance Policy, recording fees, and other miscellaneous fees vary from place to place. We can work with you to contact a title company or attorney in your area for estimates on their fees to provide the Lender's Title Insurance Policy and handle the loan closing. The Church Loan Fund has an arrangement with an attorney who can provide the Note, Mortgage and other miscellaneous loan documents at a flat rate of \$455.00.

3. Can closing costs be included in our loan request?

You may include the closing costs into your loan request as long as the closing costs do not put the church over the qualifying amount.

4. How much do we qualify for?

We follow the guidelines as stated in the Manual of the Church of the Nazarene, "the amount of total indebtedness will not exceed three times the average of the amount raised for all purposes in each of the proceeding three years." (Manual 234.4.2)

5. What is the maximum amount that can be loaned through the Loan Fund?

The maximum amount we lend, assuming the church qualifies, is \$400,000.00. Some key items to determine how much money a church can borrow includes their total raised the total cost of their project or purchase, and how much money they have in savings.

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The Manual of the Church of the Nazarene states, “No institution may incur any debts on the strength of pledges. Pledges are not to be counted as assets.” (Manual 902.2)

6. Are there other limits on how much we can borrow?

We can loan up to 85% of the value of the property used for collateral, utilizing a variety of appraisal methods, but can loan up to 95% of the value of the collateral property using a current MAI appraisal.

7. How quickly can we be approved?

When we receive the application, it is reviewed to make sure all necessary information is included. When the application is completed, the approval process can take 24 to 48 business hours.

8. What is the time frame from approval to actually getting the money?

We contact the title company or attorney in your area within 1 business day after the loan is approved. From there, it is a matter of how quickly the title search can be done and how quickly any other documents that the closing agent requires can be obtained. We require two (2) business days for funds to be released. The average time frame is from two (2) to four (4) weeks. Again this time frame can vary.

9. What documents do we need to provide to the Loan Fund?

We require the Articles of Incorporation for the church, proof of insurance (fire and hazard / builder’s risk), financial statements for prior three years, church operating budget, legal description for the property, purchase contract, detailed cost estimate, Comparative Market Analysis, the Church Board Resolution signed by the Pastor and Church Board Secretary, the District Advisory Board Resolution and the District Guaranty Agreement signed by the District Superintendent and District Advisory Board Secretary.

10. Who signs the loan documents at closing?

If the local church will hold title, the Pastor and Church Board Secretary will sign the loan documents. If the District will hold the title to the property, the District Superintendent and District Advisory Board Secretary will sign.

11. What are the current rates and terms of the Loan Fund?

We currently offer two (2) different types of loans, one for established churches and one for new churches.

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Established Church Rate

The Promissory Note will be amortized over 20 years. The initial rate locks in at closing and is (½) percent below Prime Rate as published in the Wall Street Journal, with a floor of 5.5%. The initial rate remains the same for two (2) years, and then adjusts every year thereafter until the Note balloons at the end of five (5) years. (Rates and terms can change without notice, please call 877-293-8822 to verify current rates and terms)

New Church Rate

The Promissory Note will be amortized over 20 years. The initial rate locks in at closing and is one (1) percent below Prime Rate as published in the Wall Street Journal, with a floor of 5.0%. The initial rate remains the same for two (2) years, and then adjusts every year thereafter (at ½ percent below Prime) until the Note balloons at the end of five (5) years. (Rates and terms can change without notice, please call 877-293-8822 to verify current rates and terms)

12. How do we know if we qualify for the New Church Rate?

The New Church Rate is for churches that are under six (6) years old and are building or purchasing their first property. This is a one-time rate for new churches.

13. Can I make principal reductions?

Yes, you can make principal reductions as often as you want assuming your loan is current during the repayment period of the loan. We do not accept principal reduction payments during the construction period of the loan.

14. Does the District need to co-sign?

When the property is titled in the name of the local church, the District is required to sign the District Advisory Board Resolution and District Guaranty Agreement. If the property is titled in the district's name, just the District Advisory Board Resolution is required.

15. How does simple interest work?

You are charged a daily interest factor on the outstanding principal balance. To determine your daily interest factor you multiply the current principal balance by the interest rate on your loan divided by 365. For example, a loan with a principal balance of \$100,000.00 with a 7.5% interest rate would have a daily interest factor of \$20.55 ($\$100,000.00 \times .075 \div 365 = \20.55). When making your regular monthly payments, the interest due is paid first before the remaining amount is applied to the principal balance.

16. When are the monthly payments due?

All payments are due on the first of each month. However, during the construction phase, we will bill you for the previous month's interest on the first of the next month. This allows us to include all "draws" taken during that month. After your loan has been fully funded, you will begin making regular monthly payments due on the first. We send out statements on the 10th of each month (or the next business day, should the 10th fall on a weekend) so that the church has plenty of time to make their payment by the first of the month.

17. Are there late fees?

Yes, if a payment is received after the 15th of the month, a late penalty equaling 5% of the monthly payment will be charged.

18. Are there other requirements related to past due payments?

If a church becomes delinquent 30 days, it will provide UCLF and the district a written plan for bringing the loan current. Once a loan is delinquent 45 days, the loan must be brought current and remain current for a minimum of 3 months before another loan can be approved on that district. If a loan is past due 60 days, the church and the district must ensure the principal and interest be brought current before further delinquency results.

19. How is a construction loan handled?

Construction loans are handled in "draws" or "installments". You pay interest only on the principal amount "drawn" until the loan is fully funded. At that time you begin making regular monthly payments for the term of your loan. For the first "draw" or "installment" you must provide an explanation of items to be paid with the funds. When you are ready for your second "draw", we will need either signed lien waivers or copies of paid invoices or receipts to document how the first draw was spent and the explanation of items for the second draw.