

Loan and Grant Committee

Report to the 229th Annual Diocesan Convention

2012 was a productive year for the Loan and Grant Committee. We had three meetings plus took an e-mail vote on an application from a church which we had visited in 2011. We had the largest number of members appointed (10) in recent years, which added depth and diversity of perspective and experience to an already fine team.

The Loan and Grant Committee is governed by Canons 20 and 21 of the Diocese of New Jersey. Its members are appointed annually for one year terms by our bishop. As approved at the Committee's April 14, 2004 meeting, "The mission of the Loan and Grant Committee is to provide congregations with financial support through loans and grants to help them carry out their missions as servants of Christ as part of the Diocese of New Jersey." Loans and grants are considered by the Committee only for capital projects (not for operating expenses) for building, land and/or building acquisition, replacement or repair projects which congregations would not be able to undertake on their own with available cash. Loans and grants are from designated Funds and are not part of the operating budget of our Diocese.

Loans may be recommended by this Committee to Diocesan Council, which serves as the officers and Trustees of the Venture in Mission Fund (V.I.M.), the Capital and Revolving Fund (C & R), and the R. Bowden Shepherd Trust Fund, and now of the Shannon Trust. Applicant churches must fill out in complete and satisfactory manner the two page application form (available from the diocesan website or by mail from the Diocesan Finance Office), include all extra documents specified on the form, and include the plan for the repayment of the loan. It should be noted that congregational financial officers need to be bonded for the full financial assets of the church, including any proposed loan. V.I.M. and Shepherd Fund loans are interest-bearing; C & R loans are, by canon, non-interest-bearing. In recent years loans from the C & R Fund have been made only in conjunction with a loan from the Shepherd Fund for a mission church (a "blended" loan, which produces a lower interest rate than that for parish churches) or as a "bridge" loan (a "balloon" note) for a church which is applying for a matching grant for a historic preservation project from the New Jersey Historic Trust and needs a short-term loan for cash flow purposes. The Committee usually serves small to medium-sized churches in our diocese, as it has not made any loan from any Fund for over \$300,000.

Diocesan Council has clarified and strengthened the procedures to be followed in case a church becomes seriously behind in a loan. Our bishop and staff have met with the leadership of such churches and made, or are making, appropriate arrangements. In one current case, the balance of a non-performing loan will be paid off when a particular congregation's building (Holy Communion, Fair Haven) has been sold.

Grants may be considered only for Mission churches, which must also submit the same application form and satisfactory supporting documents (including an up-to-date audit). Once an application for a grant is deemed "complete" by the Chair of the Loan and Grant Committee ("complete" means all the paperwork is in and consideration can now begin), the application is forwarded to the Board of Missions (BOM) for its consideration at a regular monthly meeting. As part of its evaluation of the grant request, the BOM evaluates the current stewardship and evangelism activities and plans of the Mission congregation, the urgency of the matter, and how the application fits with diocesan mission strategy in the light of limited funds. If (and only if) the BOM endorses the grant application, it is then considered by the Loan and Grant Committee. If the grant application is then endorsed by the Committee as well, the application then goes (just like a loan application) to Diocesan Council for its consideration.

To date, any grants made have been from the C & R Fund, as permitted by Canon 21, section 2, of not more than \$10,000 without the approval of Convention. (It is canonically possible to make modest grants from the Shepherd Fund, but this has not yet been done.) Research into the history of the C & R Fund reveals that the recently revived practice of making grants (always permitted by canon) is a revival of the original intent of the Fund when it was created by Diocesan Convention. The Minutes of the June, 1950 Diocesan Convention include the following (page 69): “the distribution of such capital and revolving fund, either as loans or gifts, be decided after study by the Board of Missions.” The Fund was raised by subscription across our Diocese in 1951-52 in response to a 1949 report on the need for major repairs and improvements to Mission churches, a need which once again exists today (see below). In 2011, the catalogue of diocesan funds resulted in including the Shannon Trust in the funds available to serve this mission under the same terms as apply to the C & R Fund.

Applicant churches, whether Missions, Chapels or Parishes, are advised to recognize the time involved in the application process and preferably to consult with the Chair of this Committee before applying. Typically, a capital campaign is needed to underwrite a loan, so a church seeking a loan is advised to consult with the Chair of this Committee and with the Stewardship Committee of this Diocese and (if appropriate) with the Commission on Church Architecture of this Diocese before proceeding.

Loans from the R. Bowden Shepherd Fund are, by canon, set at 5% and are only available for “missions and assisted parishes.” Loans from the C & R Fund are available, by canon, to “parishes, organized missions, chapels or other entities in union with or part of the Diocese of New Jersey.”

Loans from the Venture in Mission Fund (raised by that Diocesan fund-raising program in the early 1980's) are for Independent Parishes. The current “best available rate” is 4%.

Payments on loans are usually made monthly, and for an amount and length of time as approved by Council, usually based on this Committee's recommendation. This Committee meets on demand and strives to meet at the applicant church (except when multiple applications need to be considered at the same time). Loan payments go back to the fund or funds from which the loans were drawn, thus making possible future loans for churches. Income from the balances which are not currently loaned out is re-invested in the respective funds. Any church which currently has a loan and is experiencing financial hardship should immediately contact the Chief Financial Officer of our Diocese to discuss the church's situation.

In 2006-2010 this Committee financed a program, authorized by Diocesan Council, of professional inspections of every Mission church building in our diocese with small grants from the C & R Fund. The Property Task Force of our Diocese (which I also chaired) sought to encourage Mission churches to act on the results of these inspections and offered (and offers) grants to make needed improvements possible. This work was and is based on the principal that everyone should worship and serve in buildings which are safe, sound and sustainable, and every priest who lives in a church-owned home should live in a house which is safe, sound and sustainable. Some Mission churches responded very positively and worked ardently to improve their buildings, with or without financial assistance from our Diocese. Others have resisted or ignored the need to make repairs or improvements in the interests of the safety of their own members or clergy as well as others. This Committee continues to welcome grant applications from Mission churches to make needed repairs and upgrades, especially based on these inspections.

-3-

In 2012 we celebrated that Grace Church, Plainfield paid off its loan in full and ahead of schedule. Congratulations! Most churches are on target with their loans. A few are delinquent and some are experiencing negative amortization: their payments are enough behind schedule that the balance on their loans is increasing, not decreasing. This Committee and the Diocesan Finance Office are working with these few churches on solutions.

-- As the result of a meeting at Diocesan House on May 22 which included three members of diocesan staff as guests, the Committee endorsed a policy change which was subsequently approved by Diocesan Council: Churches which have bank mortgages can apply to re-finance their loans with loans from the Venture in Mission Fund. Please note that the Fund is not in a position to re-finance a mortgage of more than \$300,000.

-- In June, the BOM and the Committee endorsed and Council subsequently approved a \$12,000 loan to Church of the Holy Spirit, Tuckerton for 10 years at 2 1/2% (half from C & R and half from R. Bowden Shepherd) for air conditioning.

-- In September, the Committee met at San Jose, Elizabeth and endorsed and Council subsequently approved a \$3,000 grant from the C & R Fund to San Jose, Elizabeth for electrical repairs to be done at the Day Care Center/Parish Hall. The Committee also requested that San Jose get bids of additional electrical and other work which the Committee's walking tour of the facilities indicated is necessary; we are still waiting to hear back so we can consider another grant. The Committee also endorsed and Council subsequently endorsed a proposed canonical change which will come to this Diocesan Convention, raising the maximum grant which Council could give to a Mission Church for repairs or property improvements to \$25,000 instead of \$10,000. The \$10,000 maximum has not been adjusted for inflation for years.

-- In December, the Committee met at St. Martin's, Bridgewater and endorsed, and Council subsequently approved, a \$140,000 loan from the Venture in Mission Fund to pay off the balance on the church's bank mortgage and to fund roof and parking lot repairs in accordance with the bids submitted. This loan was drawn down in January, 2013. The BOM and the Committee also endorsed and Council approved the approval of the conversion of the \$8,143 balance on a loan to St. Mark's, Williamstown into a grant from the C & R Fund, based on research into the history of the original understanding behind the loan, namely that it was to be repaid by diocesan assistance to the church's operating budget, assistance which is no longer being provided.

At year end the Committee had two applications in process which were due for consideration in January and February, respectively.

I give hearty thanks to my fellow members of the Committee: Mr. Juan Delgado, Mr. Ed Filipski (Secretary), Ms. Carole Forsythe, Mr. Jay Ham, Mr. Jack Holt, Mr. Frank Marchese, the Rev. Ellen Rutherford, the Rev. Gina Walsh-Minor, and Mr. Paul Wolfgang. I also give thanks to the Rev. Gretchen Zimmerman, Chair of the Board of Missions, for her collegiality and deep commitment to working together for the betterment of missions and Diocesan Mission, to the Rev. Debi Clarke, diocesan staff member for Missions, and to the diocesan Finance Office, especially Ms. Phyllis Jones, whose skills are only eclipsed by her commitment to ministry and her collegiality.

Respectfully submitted,
The Rev. Dr. Francis A. Hubbard, D.Min., Chair