

Loan and Grant Committee Report to the 230th Annual Diocesan Convention

In 2013 the Loan & Grant Committee continued its program of promoting grants for repair projects to Mission churches as on-going follow-up of the 2006-2010 Grant Fund financed comprehensive professional inspections of all Mission churches, helped a congregation with its recovery from Hurricane Sandy, and empowered several parishes which were undertaking major projects through low-cost diocesan loans. For the first time since before the Great Recession, two-thirds of the assets of the Venture in Mission Loan Fund are currently loaned out, indicating that the Fund is doing what it was designed to do and that more parishes are strong enough both with vision and with funding to take out loans. In the last 10 years over 1/3 of the congregations in our diocese have received either grants or loans from one Fund or another under the stewardship of this Committee.

The Loan and Grant Committee is governed by Canons 20 and 21 of the Diocese of New Jersey. Members of the Committee serve by one year appointments by our bishop and represent a variety of dedicated people with diverse skills and background from around our diocese. 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 church capital building projects, repairs, replacements or purchases (not for operating expenses, programs or individual needs).

The Committee meets on demand whenever it has a completed application for a loan or a grant to consider. It usually meets on site (at the applicant church) so that more members of that congregation can attend and so that the Committee can see the building(s) and learn on site about the mission and ministry of the congregation and how the proposed loan or grant would enhance them. Existing policy (set by Diocesan Council upon the recommendation of the Committee) is to consider grant applications only for congregations which are officially "Mission churches" (to which the Trustees of Church Properties of our Diocese hold title).

Any applicant church needs to fill out the Loan and Grant application form (available from the diocesan website or from the Finance Office at Diocesan House by hard copy) and enclose with the application all of the supporting materials mentioned at the end of the form as also required, including an up-to-date audit. The Diocesan Finance Office can advise as to ways for congregations to have audits which conform with required standards but without the cost of a full CPA audit. It is recommended that a church consult with the Chair of this Committee before submitting an application. Often, the wisdom of other diocesan bodies (such as the Stewardship Commission) can also be very helpful to a church which is facing capital funds needs.

Once the Chair of the Loan & Grant Committee deems the application to be complete, in the case of an application for a Mission Church it goes to the Board of Mission (which has ongoing relationships with all Mission Churches) for consideration. That Board evaluates the application in the light of the church's current evangelism and stewardship practices. If the Board endorses the application, it then goes to the Loan and Grant Committee for consideration. In the case of either a loan or a grant request, this Committee then schedules a meeting with the applicant church. If the Committee recommends a grant or a loan, the recommendation goes to Diocesan Council (which serves as the Board of Trustees of the Funds) for final consideration. Before a loan or a grant is drawn down the Chair of this Committee and the Chief Financial officer of our Diocese need written assurance that the recipient church has its financial officers adequately bonded.

The three Loan Funds are the Venture in Mission Fund (raised as part of the Diocese-wide capital campaign in the early 1980's), which is for loans for parishes, the R. Bowden Shepherd Loan Fund (restricted by canon to loans for Mission Churches) and the Capital & Revolving Loan Fund (restricted to grants and to loans at 0%

interest). Loans are available without points, closing costs, application fees or pre-payment penalties. For the last decade or more the policy of the Committee has been to make 0% loans only either as part of a “blended loan” with monies from another fund so as to lower the interest rate of the total loan, or to a parish which has received approval for funding from the New Jersey State Historic Trust and needs a short-term cash flow balloon note which is effectively secured by the State’s promise to pay its grant to the church. The Committee has not endorsed any loans for more than \$300,000 nor for longer than 20 years duration. The full financial report of the Committee is a part of the financial documents presented to Convention.

The 229th Convention of our Diocese amended the pertinent canon to raise the maximum capital grant for a Mission Church which this Committee can recommend to Diocesan Council to \$25,000 from \$10,000. The previous limit had been in effect for perhaps a generation, during which time building costs have risen significantly. The grants funds are drawn from the Capital and Revolving Fund, which 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. Several years ago, this Committee, with the support of the Board of Mission and of Diocesan Council and staff, financed comprehensive, professional inspections of every Mission Church in our Diocese. The subsequently formed Property Task Force (which I headed) took as its motto that everyone has a right to worship and serve God in buildings which are safe, sound and sustainable and that every priest who lives in a church-owned home should live in a home which is safe, sound and sustainable. Each church’s inspection generated two copies of a detailed report; one copy went to the congregation and one to Diocesan House. As a result we all learned how far short of the standards of safety, soundness and sustainability most Mission Church (and many other) buildings are. A number of Mission congregations worked hard to improve their buildings, and this Committee was and is delighted to work in partnership with them as needed.

Unfortunately, some buildings were not worth repairing and some congregations were themselves not sustainable as independent entities, but a process of creative consolidation has enabled the ministries of the people to continue within an Episcopal congregation without the burden of a severely distressed building. Alarming, however, some congregations have not (at least yet) been forthcoming about dealing with the serious safety and soundness issues which were revealed in their inspection reports. This Committee continues to be ready to partner with such congregations for the well-being of their own people as well as all others who they serve.

The Loan and Grant Committee had four in-person meetings in 2013 and also held an e-mail vote which followed up an earlier extensive meeting on site with a congregation. In addition, a 15 year \$140,000 loan which the Committee endorsed and Diocesan Council approved for St. Martin’s, Bridgewater on December 11, 2012 for roof and parking lot repairs was drawn down on January 3, 2013 and so is counted in the financial report as a “new loan” for 2013.

On January 9, 2013 the Committee met at St. Mary’s-by-the-Sea, Point Pleasant Beach and endorsed a five year loan of \$200,000 (subsequently approved by Diocesan Council) to make its buildings handicap-accessible and to fund major repairs and improvements to its rectory. The repairs were not related to Hurricane Sandy. The church started to draw down the loan on April 26 and as of December 31 has drawn down \$106,000 and made regular payments.

On February 16 the Committee met at St. Stephen’s, Mullica Hill (which has been very conscientious in caring for its buildings and has received help from this Committee before) and walked through the rectory, as a result of which we recommended that the church increase what it was requesting in order to make the repairs more comprehensive and effective. After Diocesan Convention approved raising the maximum grant we could recommend, the Committee endorsed and Diocesan Council subsequently approved a grant of \$25,000 to this

Mission Church and a five year \$15,000 loan split between the R. Bowden Shepherd Fund and the Capital and Revolving Fund and so carrying an effective interest rate of 2 1/2%.

The Committee also endorsed (based on a site visit in September, 2012, and also following Convention's increase in the grant limit) a grant of \$20,000 for San Jose, Elizabeth for new, high quality windows for its Day Care Center, church and rectory. Diocesan Council subsequently approved that grant at its April meeting.

On May 7, the Committee visited St. George's-by-the-River, Rumson which, as they showed us, became "St. George's IN the River" during Hurricane Sandy. The church was flooded extensively by the storm and launched a vigorous and high quality repair and restoration project, including raising funds to cover much of a very large deductible in its hurricane insurance policy. However, even this large and generous congregation was stretched by the calamity and needed a loan to finance the balance of its post-Sandy repairs. In response, this Committee proposed and Diocesan Council approved, a new program to help Independent Parishes recover from Sandy: loans at 3% interest rather than the 4% currently available (the lowest allowed by canon) for Venture in Mission Fund loans. Any other congregations which think they may be eligible are encouraged to apply.

This Committee endorsed and Diocesan Council approved a 10 year loan of \$60,000 (\$45,000 from Venture in Mission and \$15,000 from the Capital and Revolving Fund) carrying an effective blended rate of 3% to St. George's Rumson. That loan as drawn down June 18.

St. Georges' thinking was not limited merely to recovery from Sandy but the congregation also wanted to take advantage of a unique opportunity: the purchase of a home which could serve as a rectory for its curate on a lot contiguous with the church property. The parish sought and subsequently received a bank mortgage for the purchase but, thinking ahead, sought a loan for needed repairs to the house which would be contingent (naturally) on closing on the house purchase. This Committee endorsed and Diocesan Council approved a 20 year loan for \$125,000 at 4% from the Venture in Mission Fund for repairs to the new rectory. That loan was drawn down on November 1.

The Loan and Grant Committee also considers applications for re-financings either of its existing loans or of a congregation's bank loans. On June 15, we met at Church of the Holy Spirit, Lebanon and subsequently endorsed and Diocesan Council approved a 10 year \$134,000 loan which enabled the church to pay off its bank loan, remove the bank's lien on the property, reduce its interest expenses and enable the Venture in Mission (V.I.M.) Fund to receive income from the interest on the loan instead of the bank. (Principal and Interest payments to any Fund go back into the Fund from which the loan was taken and make possible more loans in the future.) Interest income enables the Funds to grow, although the V.I.M. has not kept up with inflation in its value over-all since its inception.

Although most of our meetings in 2013 were in the northern part of our diocese, the Committee is delighted to travel widely around our diocese. During my time as a member we have traveled from Alexandria and Union in the north of our Diocese as far south as Villas (nearly as far as one can go in New Jersey). At this writing I have had conversations with three churches from different parts of our diocese which expect to be submitting applications soon for loans or grants.

The 230th Diocesan Convention will consider a canonical change which would make it possible to invest the loan funds in shares of the Diocesan Investment Trust. While no one can accurately predict the course of the stock or bond markets in the short term, over time this proposed change should help these funds to grow at least in pace with inflation; current short-term interest rates are currently at nominal levels and well below even current relatively low inflation. The Committee supports this proposed change. Some monies could always be kept in cash equivalents and shares could be cashed out as needed for loans or grants; the approval

process is deliberate enough that the diocesan Finance Office could easily predict those needs and plan for them. The other reality is that two of the funds have never been anywhere close to fully loaned out in at least a decade; investing some of those funds rather than letting them languish in money market accounts exclusively would be good stewardship.

I give thanks to God for the splendid members of this Committee, who bring wide varieties of experience and expertise to our ministry and hail from a wide cross-section of our Diocese: 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 give thanks for the ministry of the Rev. Gretchen Zimmerman, now retired from her position as Chair of the Board of Mission, who worked very effectively (including in partnership with us on a number of occasions) for the well-being of Mission congregations. I give thanks for our marvelous diocesan staff, especially as relates to this Committee's ministry for Canon Phyllis Jones and Emmanuel Strauss of the Finance Office and the Rev. Debi Clarke, Deacon, staff member for Missions (as well as for Youth).

Faithfully yours,
The Rev. Dr. Francis A. Hubbard, D. Min.
Chair, Loan and Grant Committee