

Lender Questions When Financing a Church

Credit/Loan Issues

- What is the Purpose of the Loan-
 - Acquisition
 - Refinance of an existing loan?
 - New construction
 - Land purchase
 - Expansion
 - Rehabilitation

Borrower

- Is the borrower incorporated?
- Are the articles/documents consistent with the lender's needs?
- If a non-profit entity, is the non-profit status in good-standing?
- Who has the right to bind the congregation to a financial obligation?
- How will the loan be agreed to by the members?
- Will the loan be approved by the members?
- Will the loan be guaranteed by anyone or a group?
- How the congregation is managed (trustees, board, board of elders, etc.)?
- How old is the congregation?
- What is the denomination?

Facility

- How large is the site-is there room for expansion or additional parking?
- How large is the structure(s)?
- Has the facility ever been appraised?
- What are the physical attributes of the facility (seating, ratio of seating to total area, condition, age, etc.)?
- What is the purpose of the addition or new construction and is it needed?
- If proposed construction or an expansion, is it functional for an alternative user?
- If new construction, have the plans been bid by more than one contractor, are the contractors bondable, and are the contractors affiliated with the congregation?
- Is there a school and if so, is it state certified?
- Is there a day care facility that is state certified?
- Is there a nursing home, congregate care, or independent living facility and if so, is it state certified?

Leadership/Management

- Who is the spiritual leader of the congregation (history of leader, education, years in practice, years with congregation, salary, health)?
- Is there a replacement leader in training or on staff?
- Who is the business manager or who comprises the management committee?
- What is the structure of the organization?
- Are the borrower's legal documents current and readily available?
- Do these documents require a vote of the membership to bind the congregation?

Financial

- How funds are raised (offerings, weekly giving, stewardship program, pledges, dues, beneficiary)?
- Is there income from other sources (rent, day care, schools, book stores, restaurants, mineral interests, antennas, etc.)?
- Are any significant pledges or offerings delinquent? Are there large givers who significantly impact the overall financials of the organization?
- Is there an ongoing fund-raising program?
- Is there a scheduled building fund or drive?
- What are the salaries of the leaders and how are they determined?
- Are there financial controls for collections, in particular for cash?
- Does the congregation have a finance committee?
- Does the congregation have to provide funds to a larger governing body (state, district, national, etc.)?
- Is a school being operated at the facility? If so, how is it funded?
- How is school and/or daycare income accounted for? Is it a profit center?
- Are quarterly financials available?

Membership

- How many members are there and how is the membership measured?
- What are the demographics of members? Are they predominantly families, singles, etc.?
- How many families are considered members and how are they measured?
- How many services are held per week?
- How many members attend the weekly services?
- How many children and/or adults attend church school?

Area Data

- What are trends of the neighborhood (growth, stability, decline)?
- Is the membership drawn from the immediate area?
- Has the congregation existed in the neighborhood for an extended period?
- What service does the facility fulfill in the area and is it likely to change in the near future?
- What other facilities nearby compete for members?
- Are other congregations in the area growing, declining, or stable?

Note: These points are representative of issues that many lenders consider relevant. Many of these items have only a nominal impact on the “market value,” yet most do tend to have an impact on the viability of the operation.