



Pacific Union Conference

1. Church and School Loan Fund
2. Income Fund - Investment Fund
and Loan Fund

2 Different Loan Funds

1) Church and School Loan Fund

- Best qualified churches and schools
- Loan limit 55% of project or 3X tithe
- Loan Amortization up to 15 years
- Best interest rate (Currently 4%)

2) Income Fund

- Qualified churches and schools
- Less cash on hand up to 65% of project or 4X tithe
- Emergency Loans to \$250K with 10% down
- Loan Amortization up to 20 years
- Slightly higher interest rate (Currently 4.75%)

Loan Fund - History

- Revolving Fund. Historically, a pool of funds to accept deposits from individuals, churches, schools, and conferences to provide loans to organizations under the umbrella of the Pacific Union. State of California regulated it since it accepted funds from individuals.
- As time has gone by, the regulations in the State of California caused the fund to change its structure and we no longer could accept deposits from individuals. As such, the funds were returned and the Revolving Fund no longer had the distinguishing characteristics of a true NAD Revolving Fund so what remained was renamed as the Church and School Loan Fund.

Loan Fund – History Cont.

- Growth of the Income Fund.

It became an important compliment to the Church and School Loan Fund since church entities wanted to continue to invest funds with the Pacific Union and there was a greater need for loans that the small residual balance in the Church and School Loan Fund.

How does the Loan Process work?

- The Fund loans to church entities for capital projects only.
- Entities repay the funds, over time, with interest.
- All loan request for organizations where a local conference has jurisdiction are channeled through the parent conference.

Who is Eligible?

- An eligible borrower is a SDA church entity under the umbrella of the Pacific Union.

What types of capital projects are authorized?

- Land for building or expansion
- Purchases of church plants
- New construction
- Renovations and repair
- Modular units
- Organ Loans (restrictions apply)

What are the cash on hand requirements?

- Church and School - Cash on hand 45%, Union will loan 55%
- Income Fund – Cash on hand 35%, Union will loan 65%
- Income Fund repair loans (emergency loans) – Cash on hand 10%, Union will loan 90% up to \$250,000

What is considered Cash on Hand

- Cash/Investments/Conference Appropriations
- For new construction land already owned is considered cash on hand for the first project on that land.
- VOLUNTEER LABOR and PLEDGES are NOT considered cash on hand

What are the loan limitations?

- Church and School - 300% of Tithe is the max allowed under policy or \$2,000,000. Based on availability of funds.
- Income Fund - 400% of Tithe is the max allowed under policy or \$2,500,000. Based on availability of funds.

Security for the Loan

- All loans exceeding \$100,000 require a First Trust Deed (mortgage) and a loan that spells out the repayment provisions.
- The local conference is required to guarantee the loan.
- Inability of any other church in the conference to originate a loan if a default exists beyond 6 months.

What are the loan repayment provisions?

- Term
 - Church and School Loans have a 15 year or less term. New construction loans may request interest only for the first 6 months, which would amortize the loan over 14.5 years.
 - Income Fund Loans have a 20 year or less term. New construction loans may request interest only for the first 6 months, which would amortize the loan over 19.5 years.

What are the loan repayment provisions?

- Interest Rate
 - Variable. Rates are reviewed twice per year (June and December) and adjusted if necessary on January 1 and July 1. Max of 2.5% per year or 5% over the life of the loan.
 - Church and School 4%
 - Income Fund 4.75%

ALL ENTITIES PAY THE SAME INTEREST RATE!

What are the loan repayment provisions?

- Statements are sent monthly with prior month history listed.
- A full monthly payment is required.
 - All payments go directly to principal with interest calculated and added to the loan on the last day of the month.
 - Extra payments will reduce the balance of the loan, but are generally not considered for future payments.

Can the payments go up?

- Payments could increase or decrease.
 - Monthly Payments can adjust by \$1.30 (CS) or \$1.40 (IF) per \$10,000 for each .25% interest rate change.

Example - A Church and School loan of \$100,000 would go up \$13 per month if the rate changed by 0.25%.

Funding

- Request must come from the Conference Treasury.
- Promissory Note and Deed of Trust must be signed and received.
- Committee approvals from the local entity and the conference must be approved.
- Funds will be sent to the Conference, local church, or as directed by escrow if an escrow is involved.

Status Reports

- Every month a Delinquency report is sent to all the Conference Presidents and Treasurers in the Union identifying all loans with a delinquency.
- The conferences will contact any church entity listed on this report and inquire as to the status of the delinquency.
- If an entity is delinquent in six consecutive periods, the conference will be locked out of the loan program until the loan is brought current.



Pacific Union Conference

Income Fund Investment and Loan Fund

History

- The Pacific Union Income Fund was established in the mid 1970's as an investment vehicle to pool inactive funds to achieve greater returns than could be obtained individually.
- Over time, a secondary purpose emerged as additional funds for denominational loans were needed and the fund was opened for debt financing.

History

- Since many churches did not qualify under the Revolving Fund guidelines, the Income Fund was granted permission to act as a an additional lending agent for entities that otherwise would not have been able to qualify for a loan.

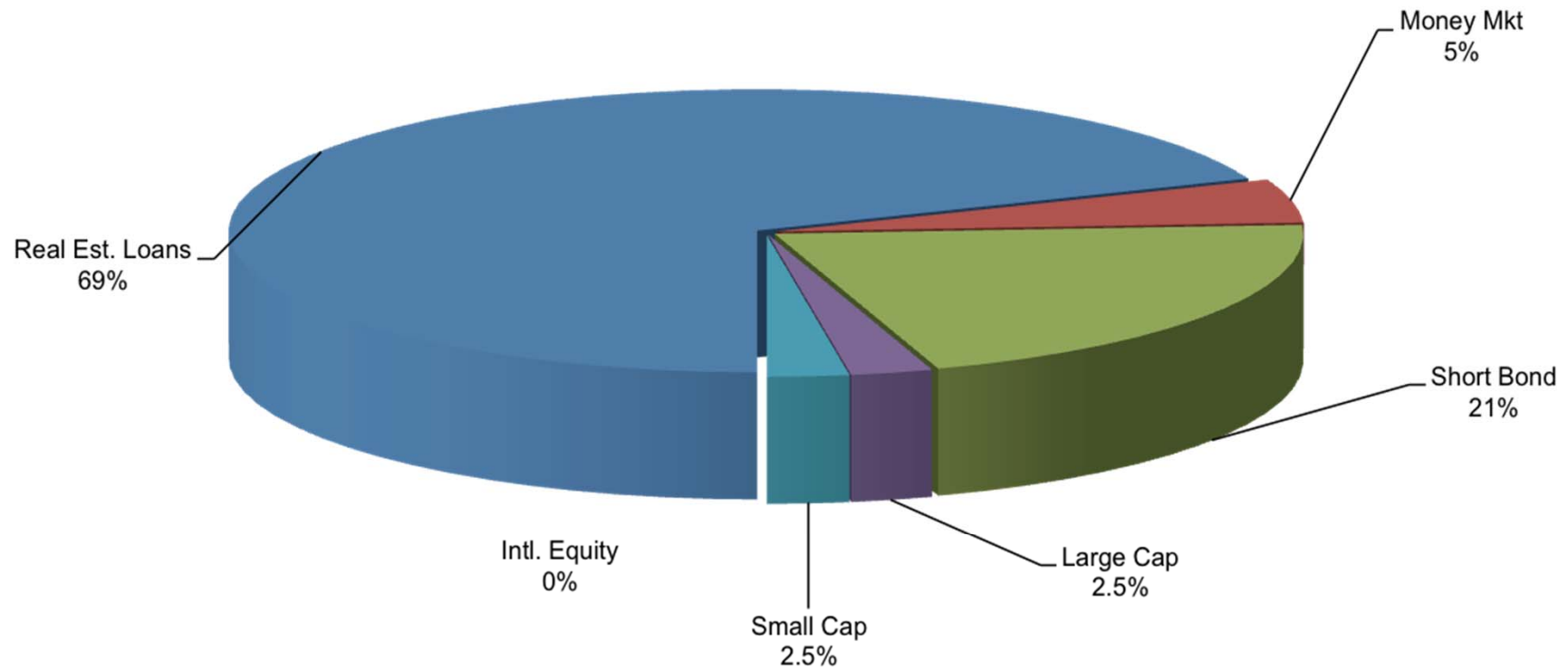
Fund Objectives

- Preservation of Capital
- Preserve liquidity (make funds easily available to depositing entities)
- Provide a steady and consistent revenue to meet the income needs of depositors
- Diversified balance investment that is more aggressive than fixed income and less aggressive than equity-oriented portfolios

What are the investments?

- Money Market 5%
- Real Estate Loans 69%
- SDA Bonds – Short Term 21%
- SDA Equities – Large Cap 2.5%
- SDA Equities – Small Cap 2.5%

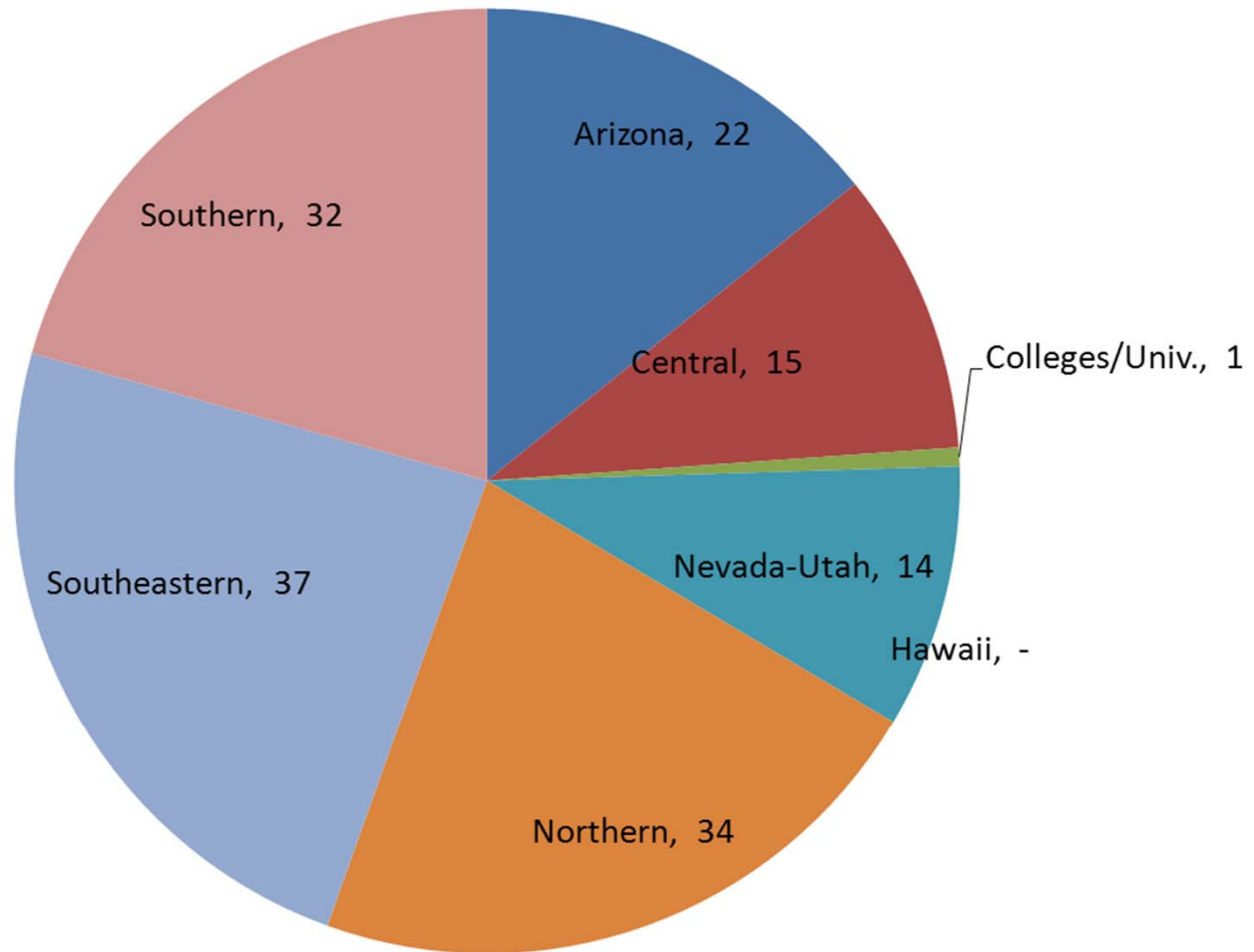
Investments



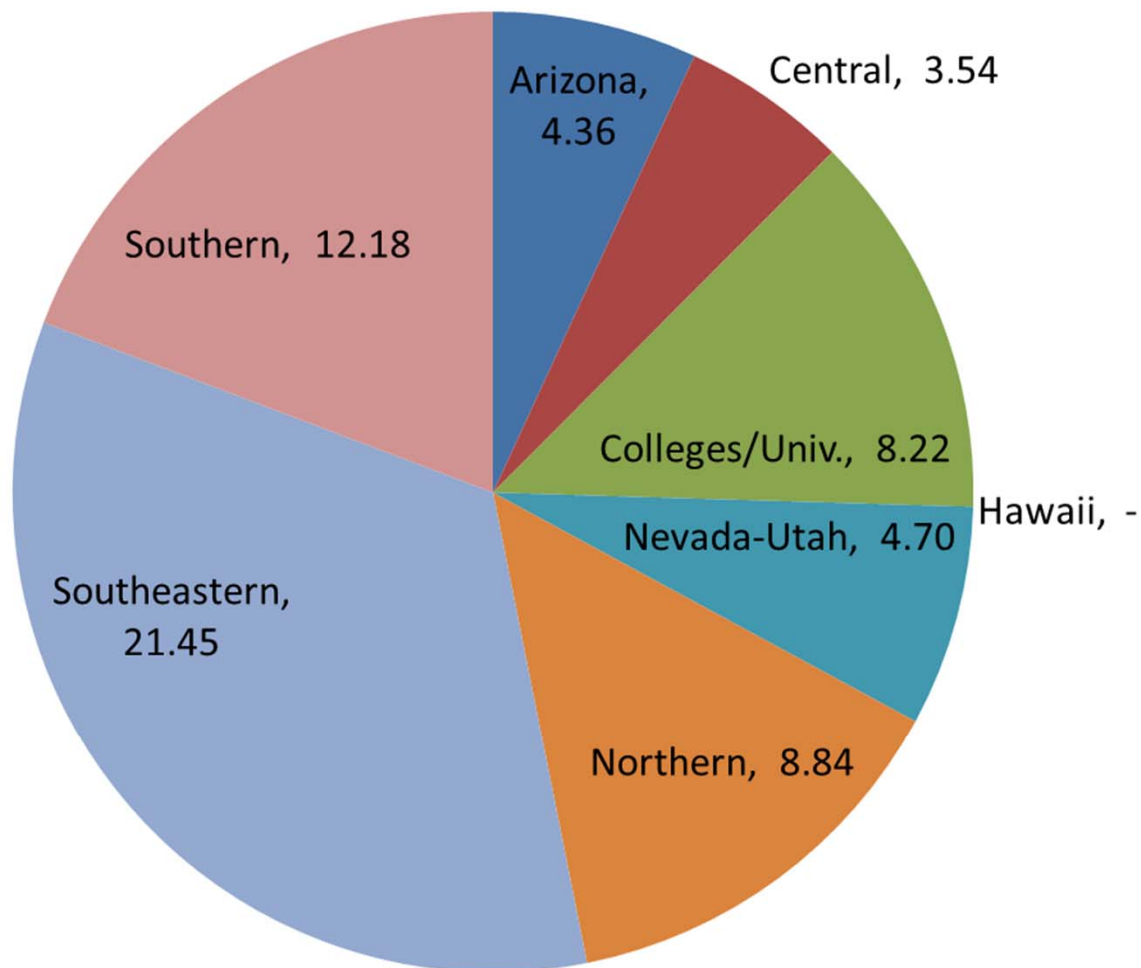
Make up of the Fund

- 325 Deposit Accounts
- \$125,000,000 in Net Assets
- \$64,000,000 in Denominational Loans
- 155 Church Loans

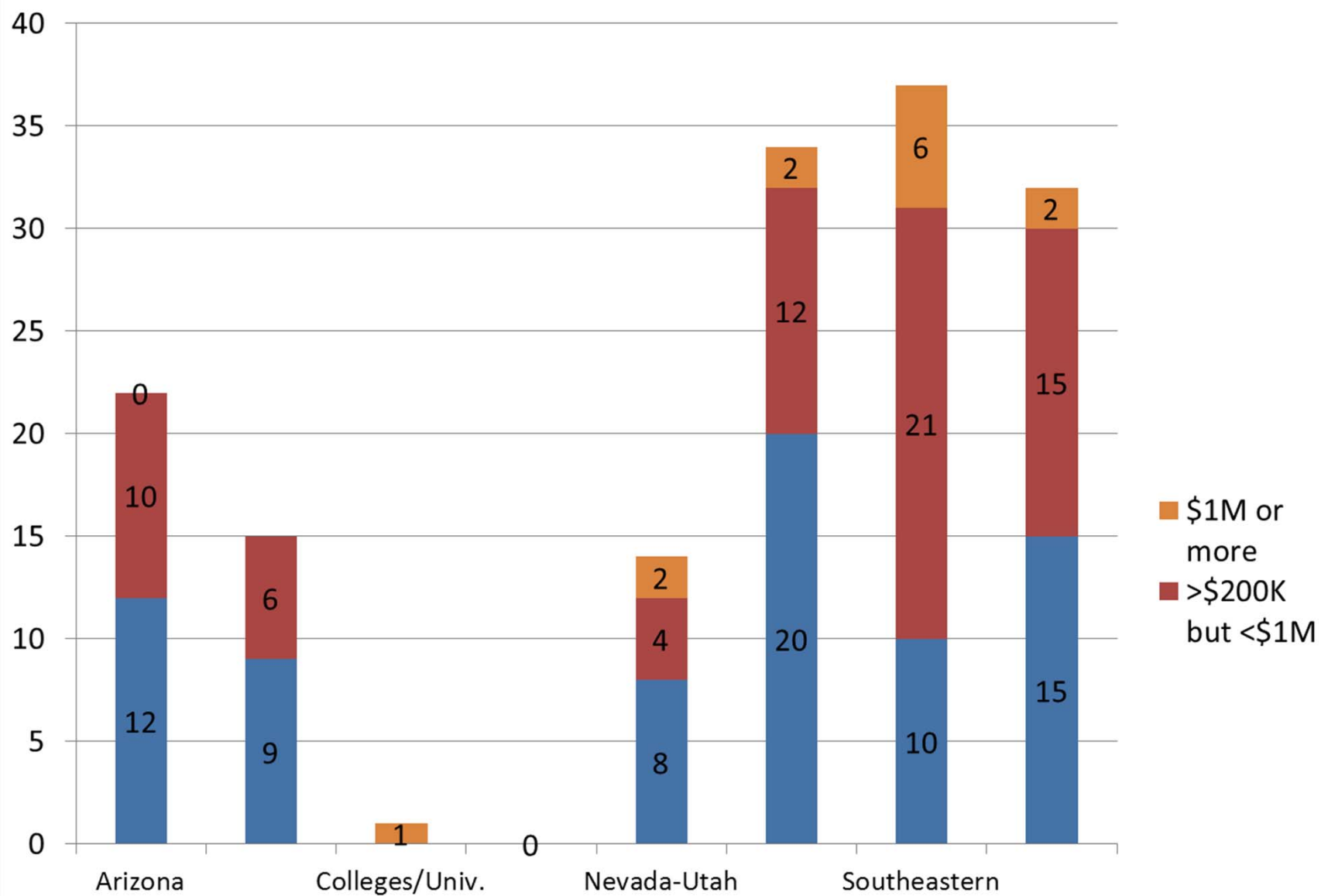
Pacific Union - Income Fund
Conference Loans by Count
Sept 17, 2014



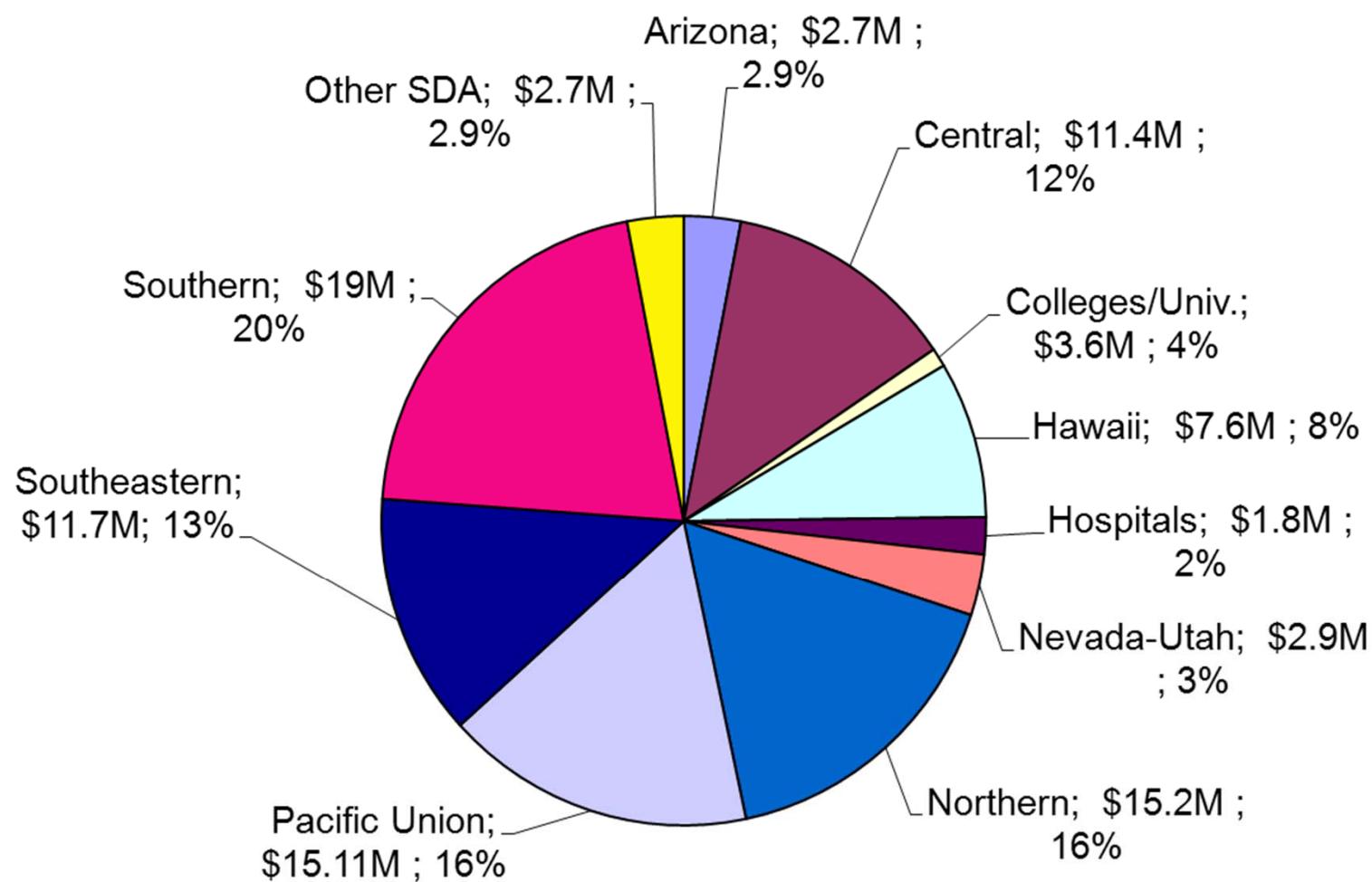
Pacific Union - Income Fund
Conference Loans by Amount
Sept 17, 2014



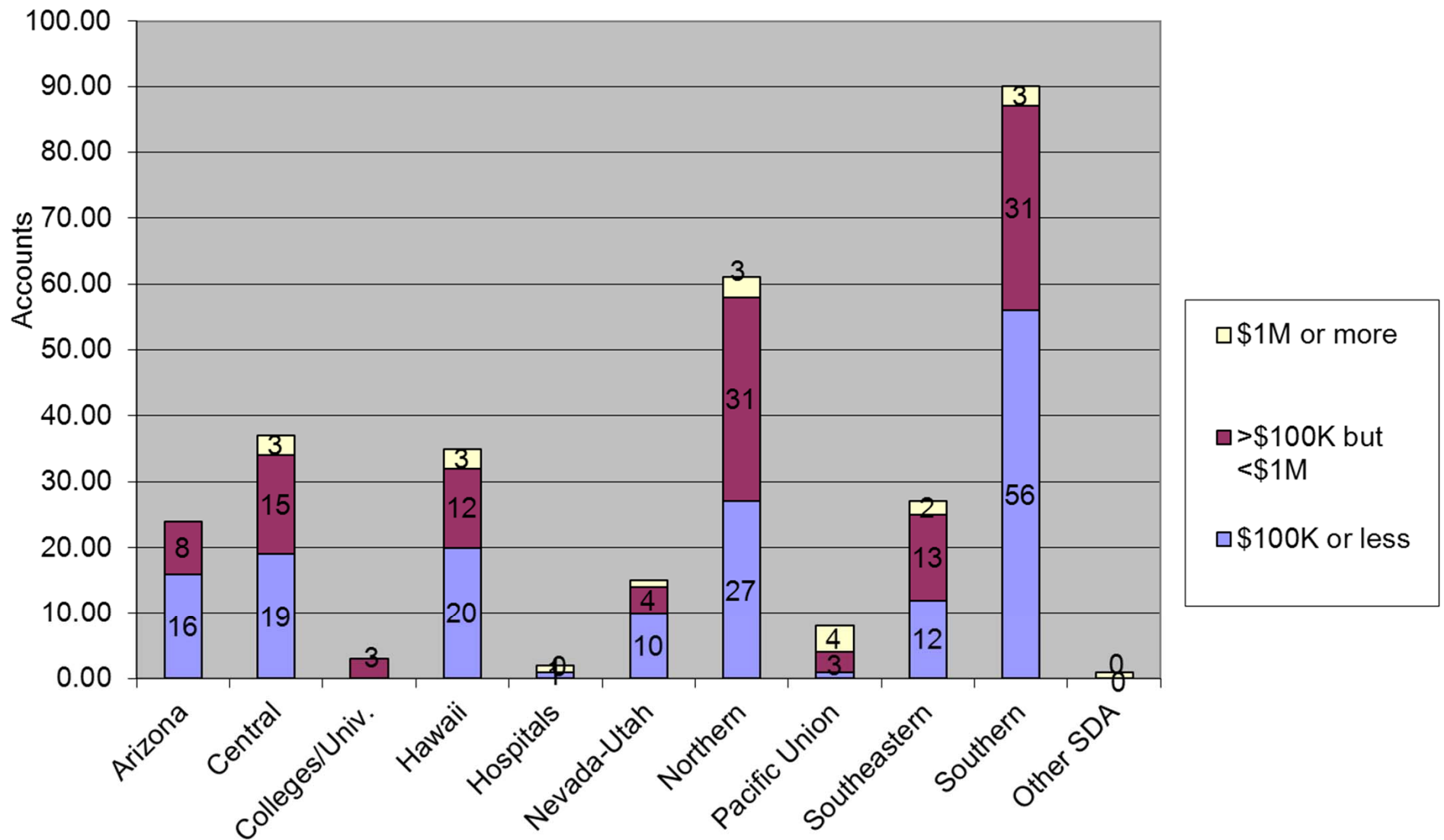
Pacific Union - Income Fund
Conference Loan Count by Size
Sept 17, 2014



Pacific Union Association - Income Fund
Investors by Category
September 2013



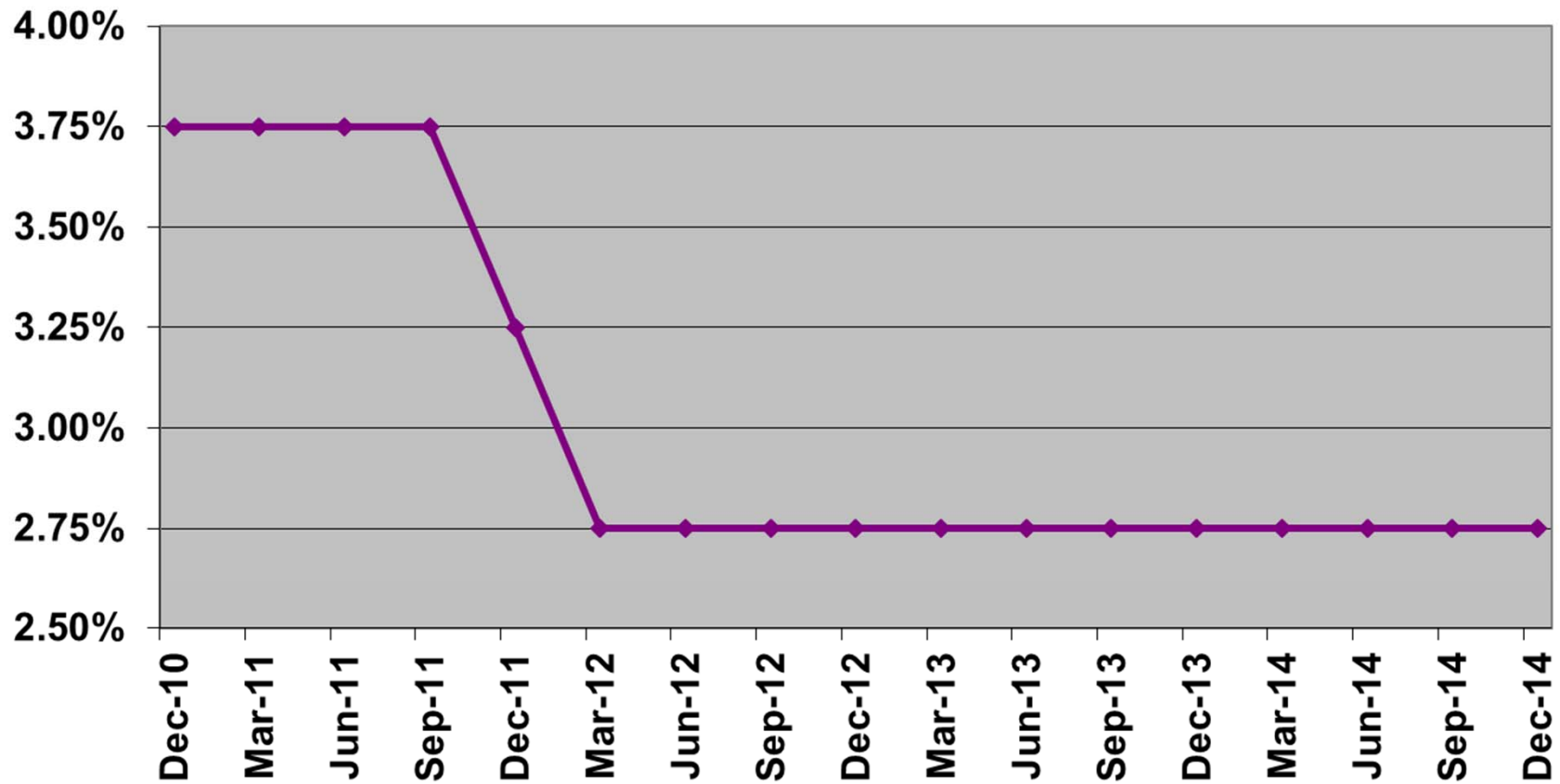
PUA Income Fund
 Makeup of Investor Accounts by Organization
 as of September 2013



Dividends

- Dividends are declared quarterly from actual cash earning in the preceding quarter
- Dividends can be paid out or reinvested
- Dividends are posted as of the first of the month if reinvested, or are paid out by the 3rd Thursday of the month the dividend was declared.

Dividend Performance

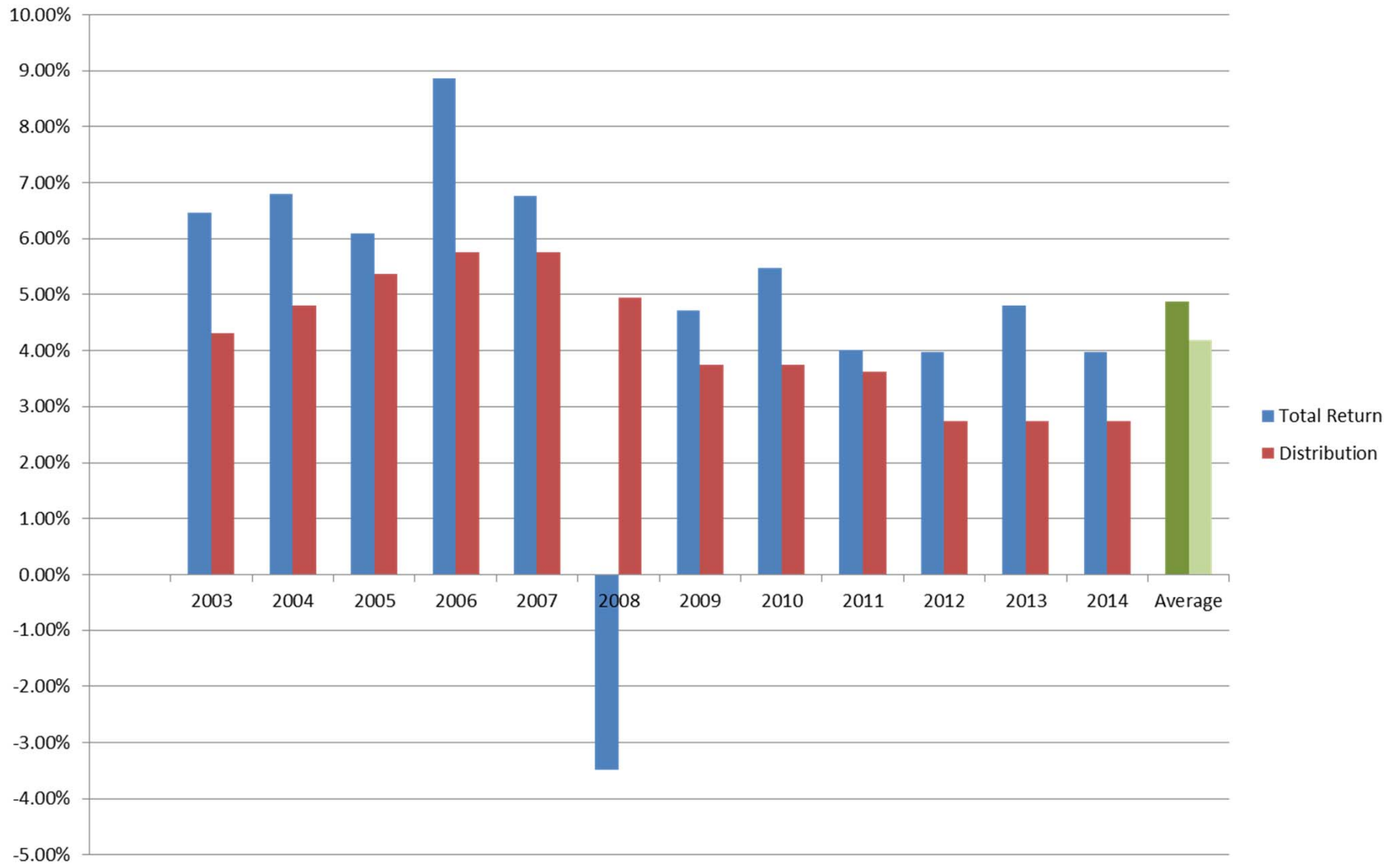


Total Return Performance

12 Year Total Return and Distribution History

Year	Total Return	Distribution
2003	6.47%	4.31%
2004	6.79%	4.81%
2005	6.09%	5.38%
2006	8.86%	5.75%
2007	6.77%	5.75%
2008	-3.49%	4.94%
2009	4.71%	3.75%
2010	5.47%	3.75%
2011	4.01%	3.63%
2012	3.98%	2.75%
2013	4.80%	2.75%
2014	3.98%	2.75%
Average	4.87%	4.19%
10 year Average	4.52%	4.12%
7 year Average	3.35%	3.47%
5 year Average	4.45%	3.13%
3 year Average	4.25%	2.75%
2 year Average	4.39%	2.75%

Total Return Performance



Additional Information

- Fund is valued weekly
- Funds are available “on demand” and are usually returned within a few days
- No limit to deposits
- No more than 3 redemptions per month requested
- Funds should be invested with the intent that the funds are of a long term basis

Security

- Are we FDIC insured?

No. FDIC limits are \$250,000 per investment and we have a fund of \$125,000,000.

- However, the majority of the fund is secured by First Trust Deeds with the ability to foreclose on a church property
- Conferences are required to sign as loan guaranties.
- Freeze on conference lending if 6 months delinquent until the loan is brought current.

Final Note

- All investments involve risk. The Pacific Union Income Fund encourages all potential investors to thoroughly address all risk concerns prior to investing in the fund.
- Investment returns will vary and past performance is NEVER a guarantee of future results.