



Pacific Union Conference

Church and School Loan Fund

Income Fund - Loans and Investments

Loan Funds

Church and School Loan Fund

- Better qualified churches
- More cash on hand
- Shorter time period 15 years
- Better interest rate

Income Fund Loans

- Qualified churches
- Less cash on hand
- 20 year loan period
- Good interest rate

Church and School Loan Fund - History

- Church & School loan fund was established as the Revolving Fund.
- A pool of funds to accept deposits from individuals/churches/conferences to provide loans to organizations under the umbrella of the Pacific Union.
- In the mid 1990's the State of California caused the fund to change its structure and it no longer could accept deposits from individuals.
- Funds were returned to depositors and the Revolving Fund no longer had the distinguishing characteristics of a true NAD Revolving Fund so it was renamed to the Church and School Loan Fund.

How it Operates

- The Fund loans to Pacific Union entities for capital projects only.
- Entities repay the funds, over time, with interest, to maintain the fund for future borrowers.
- All loan request for organizations where a local conference has jurisdiction start at the parent conference.

Who is Eligible?

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

What types of projects are authorized?

- Land for building or expansion
- Purchases of church plants
- New Construction
- Renovations and Repair
- Modular Units
- Solar 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
- Costs already incurred directly related to the project
- For new construction on owned land, the purchase price is considered cash on hand
- VOLUNTEER LABOR and PLEDGES are NOT considered cash on hand

What is considered NOT Cash on Hand?

- VOLUNTEER LABOR
- PLEDGES
- ANTICIPATED FUNDS
- APPRAISED VALUE OF PROPERTY

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) that spell out the repayment provisions.
- The local conference is required to guarantee the loan.
- Conference wide freeze in lending.
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?

- Payments
 - A monthly payment.
 - 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 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%.

Documents to Fund the Loan

- Completed/Signed Application
- Promissory Note and Deed of Trust signed and received.
- Local entity Board/Business Session Minutes.
- Conference Committee approvals.
- Funding request from the Conference Treasurer.
 - 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 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 - Continued

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

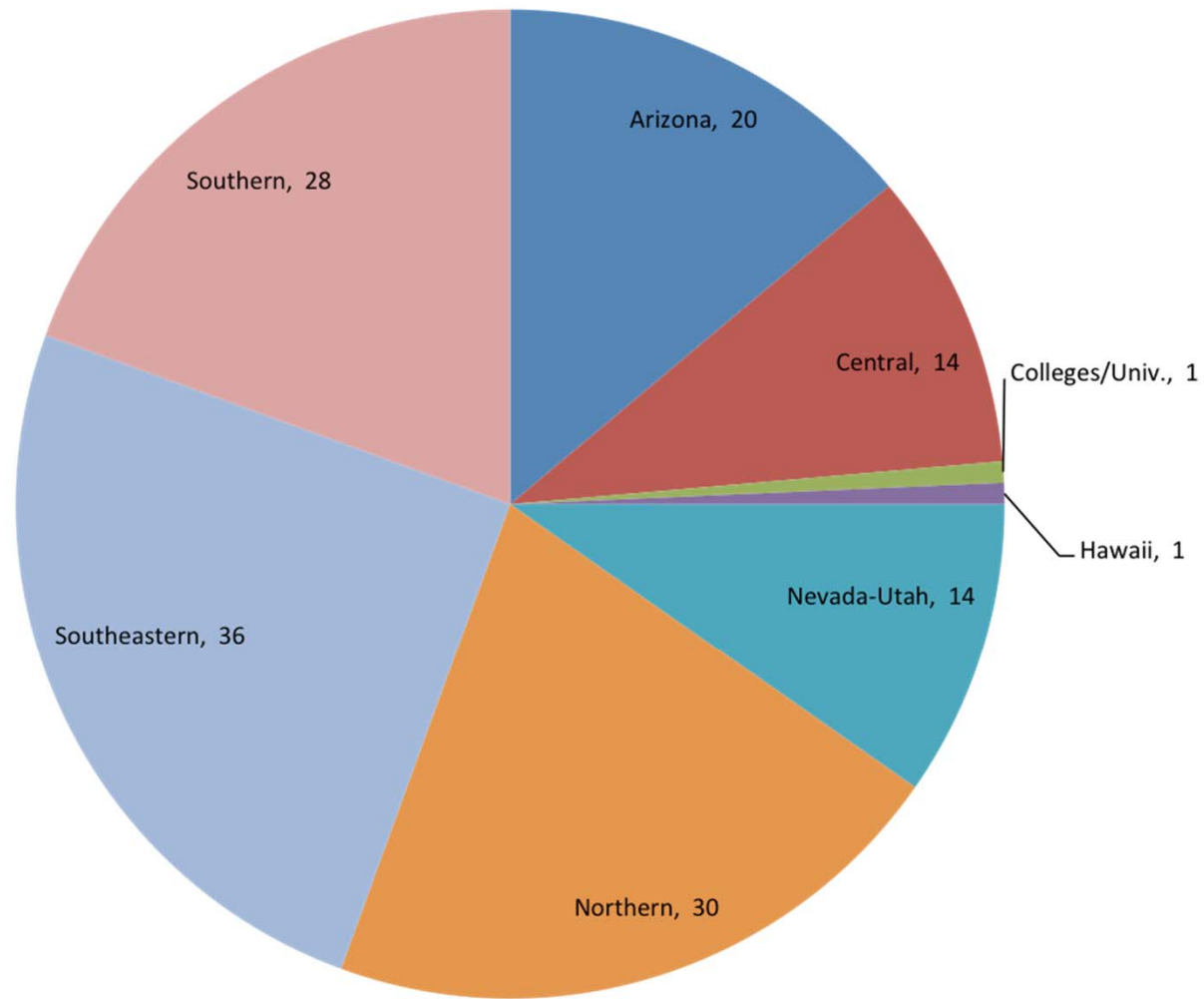
Make up of the Fund

- 340 Deposit Accounts
- \$151,000,000 in Net Assets
- 155 Church Loans – Approx \$63M
- 34 Commercial Loans – Approx \$30M

Pacific Union - Income Fund

Conference Loans by Count

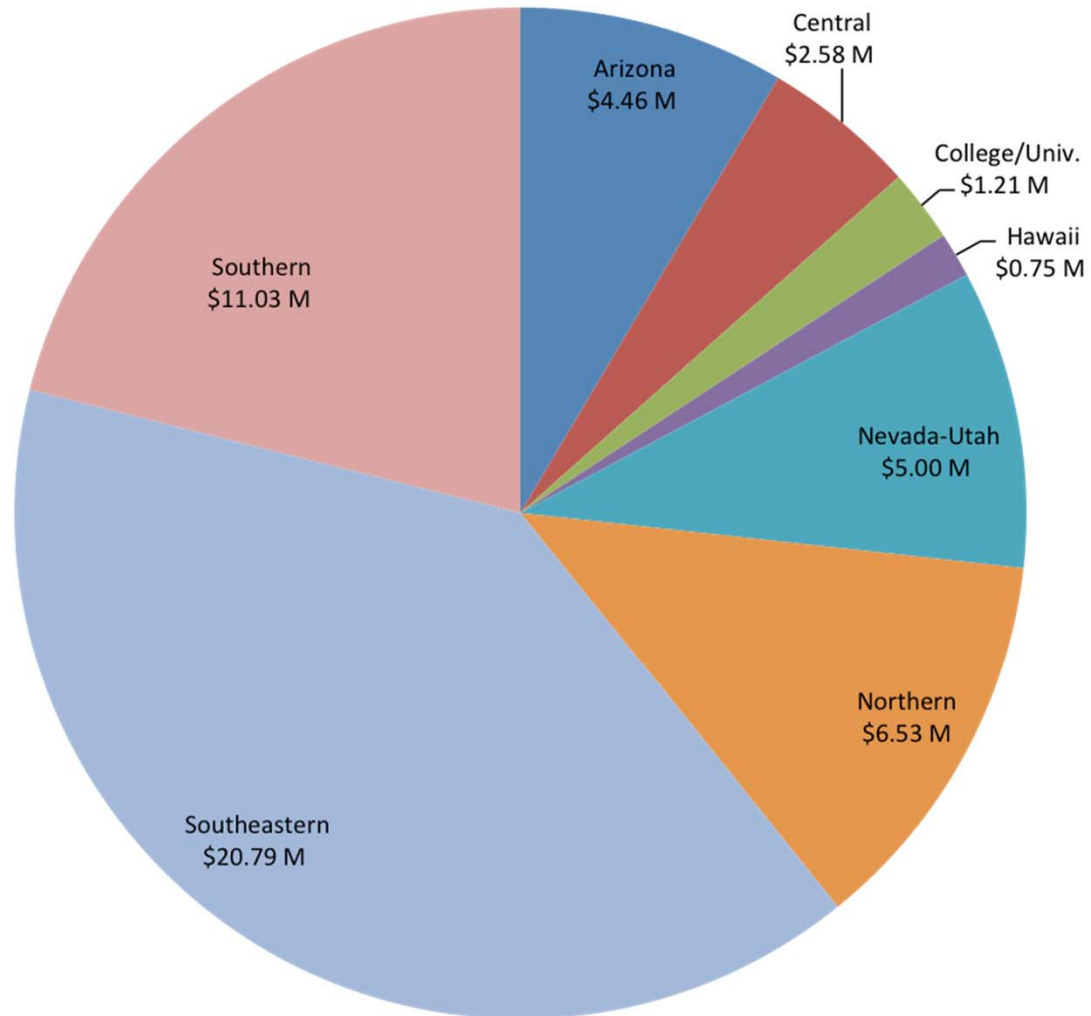
July 31, 2013



Pacific Union - Income Fund

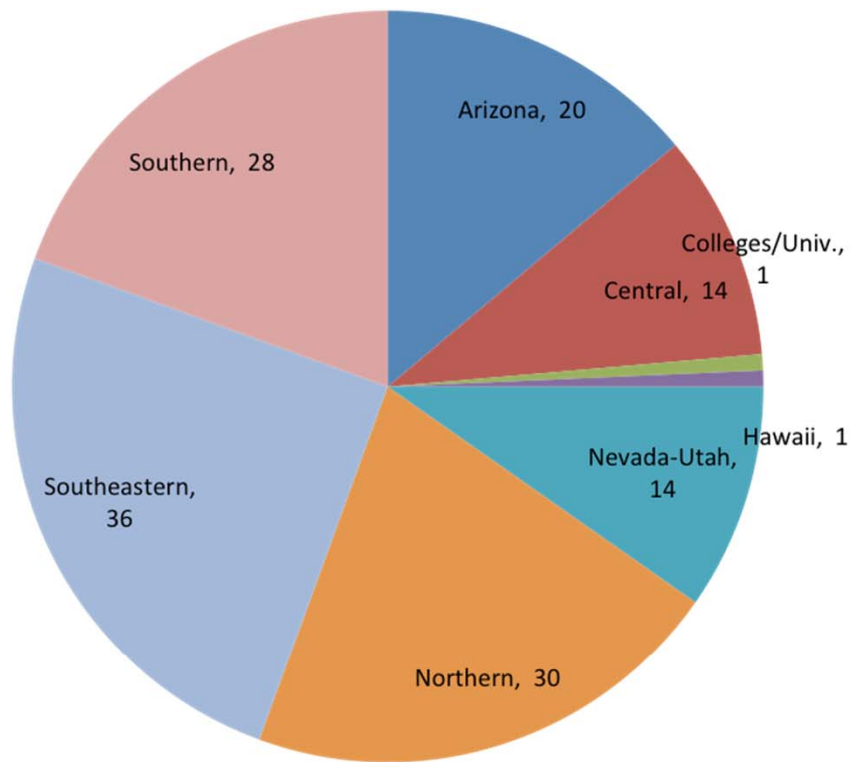
Conference Loans by Amount

July 31, 2013



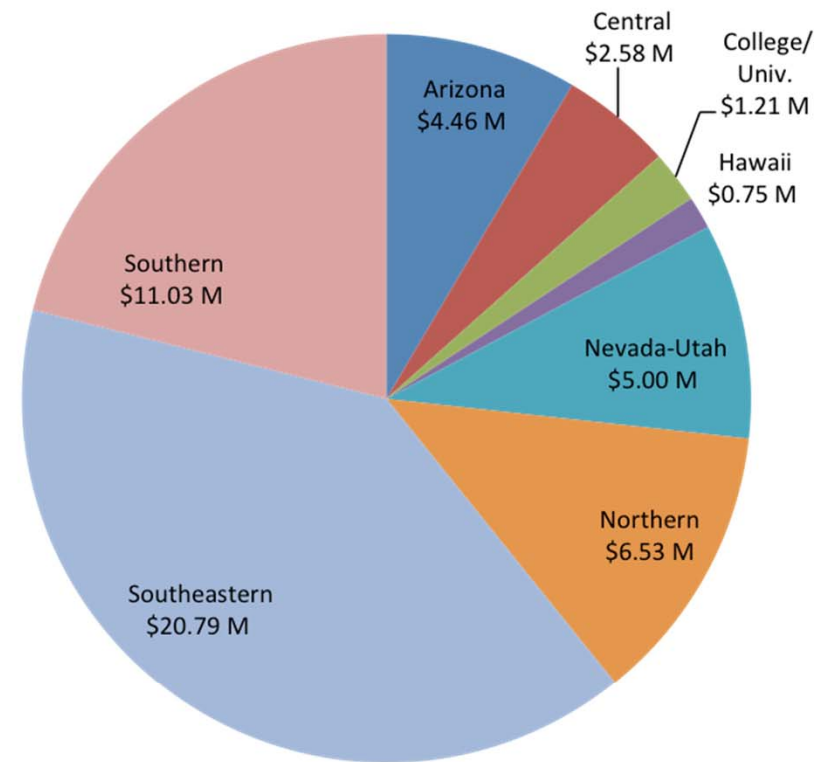
Pacific Union - Income Fund

Conference Loans by Count
July 31, 2013



Pacific Union - Income Fund

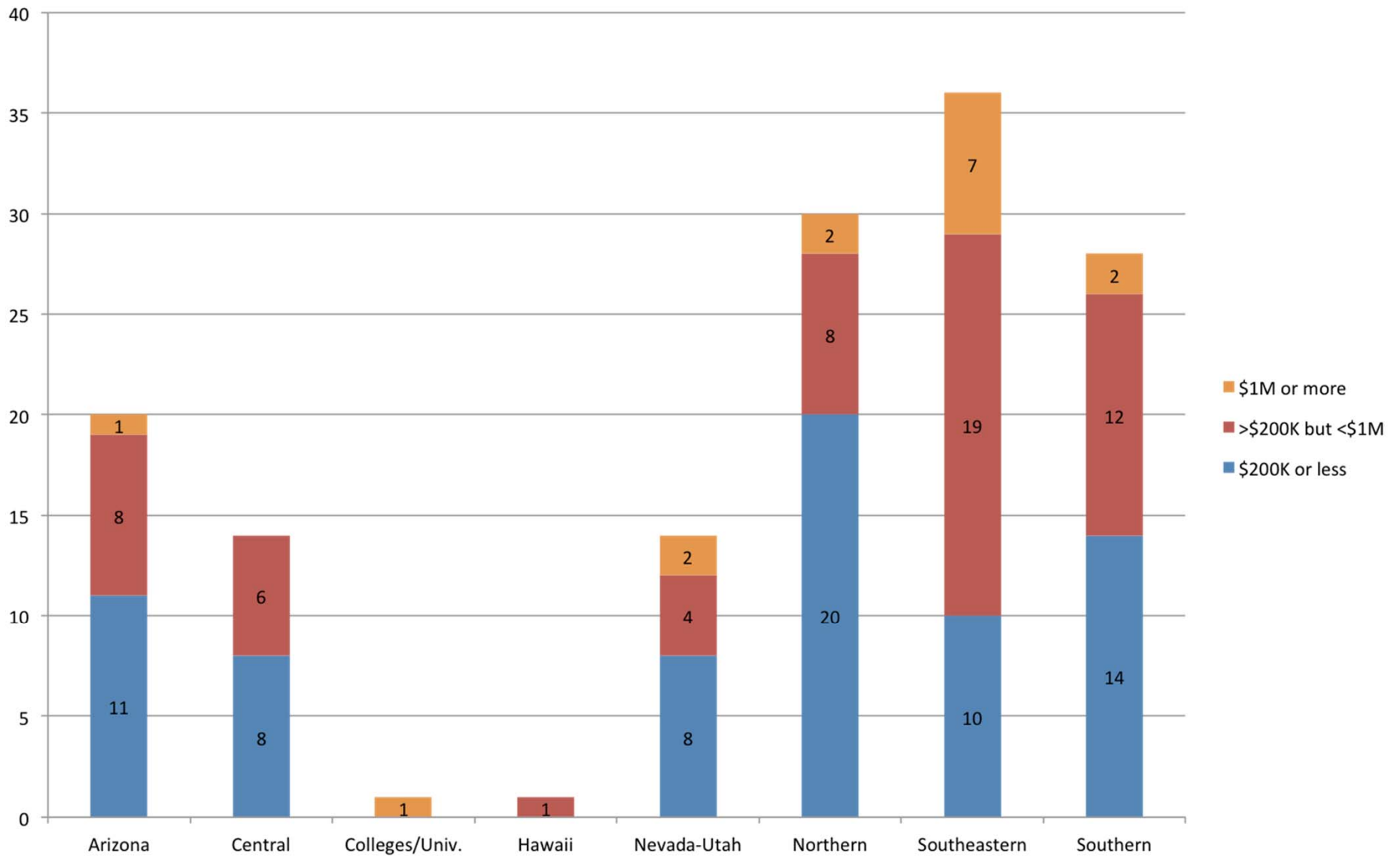
Conference Loans by Amount
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Pacific Union - Income Fund

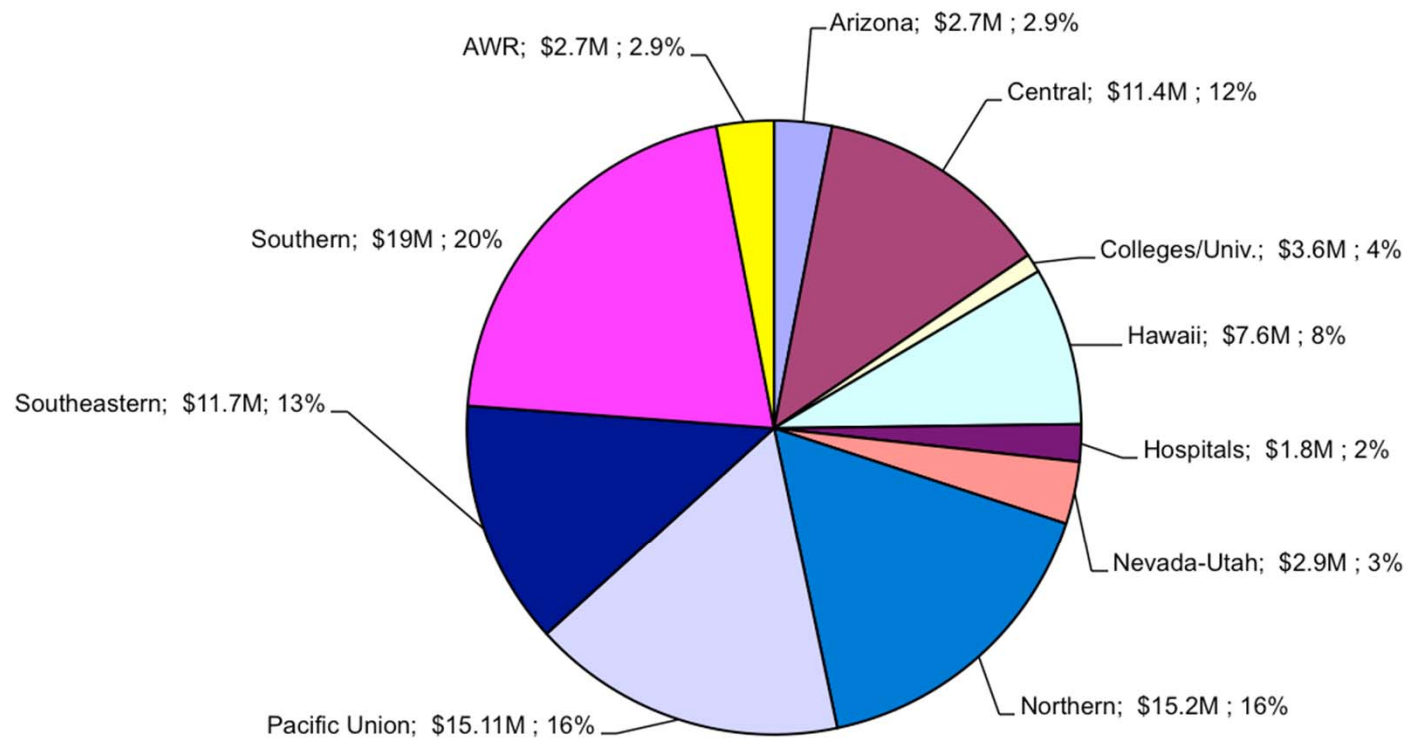
Conference Loan Count by Size

July 31, 2013



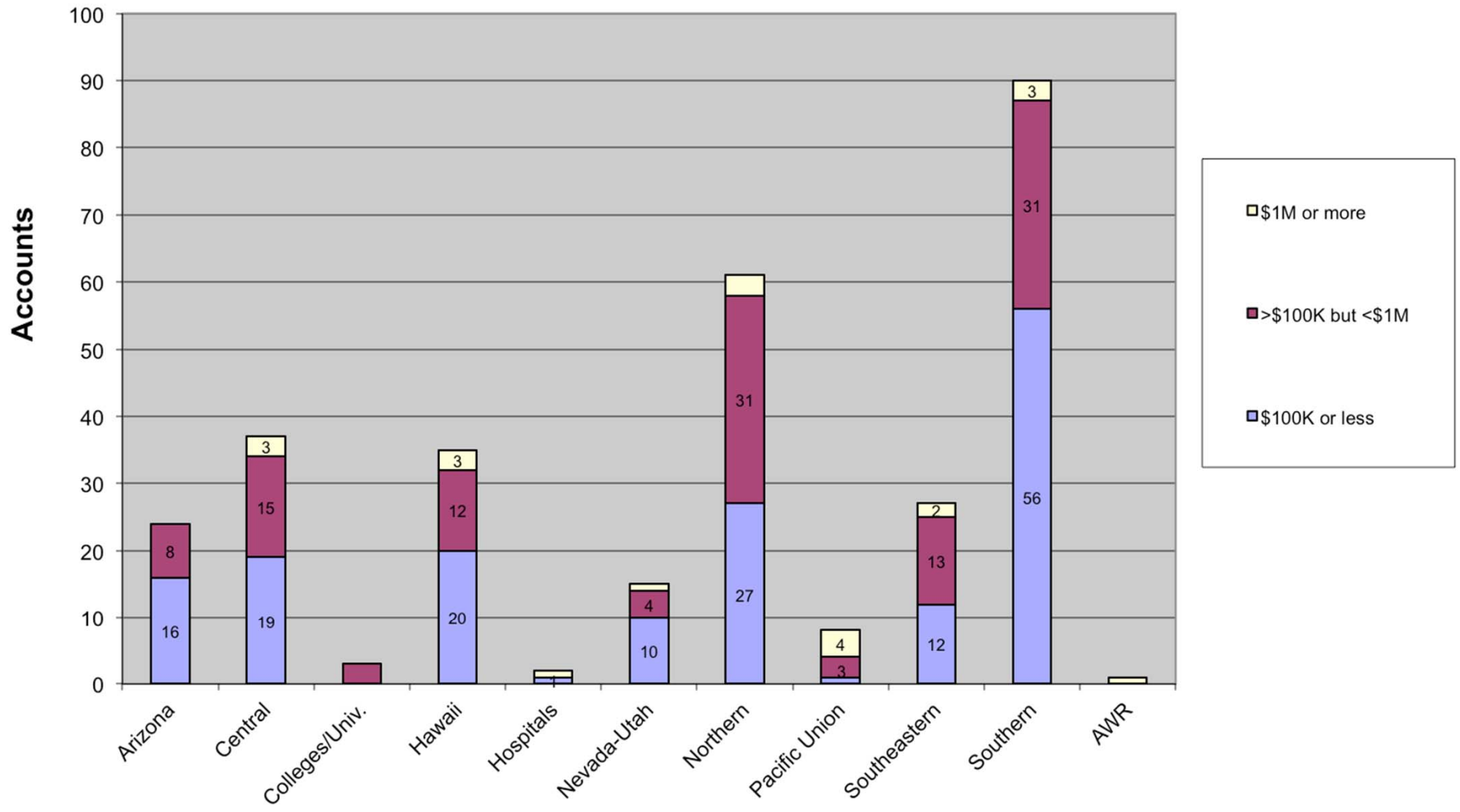
Pacific Union Conference - Income Fund

Investors by Category
September 2013



- Arizona
- Central
- Colleges/Univ.
- Hawaii
- Hospitals
- Nevada-Utah
- Northern
- Pacific Union
- Southeastern
- Southern
- AWR

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



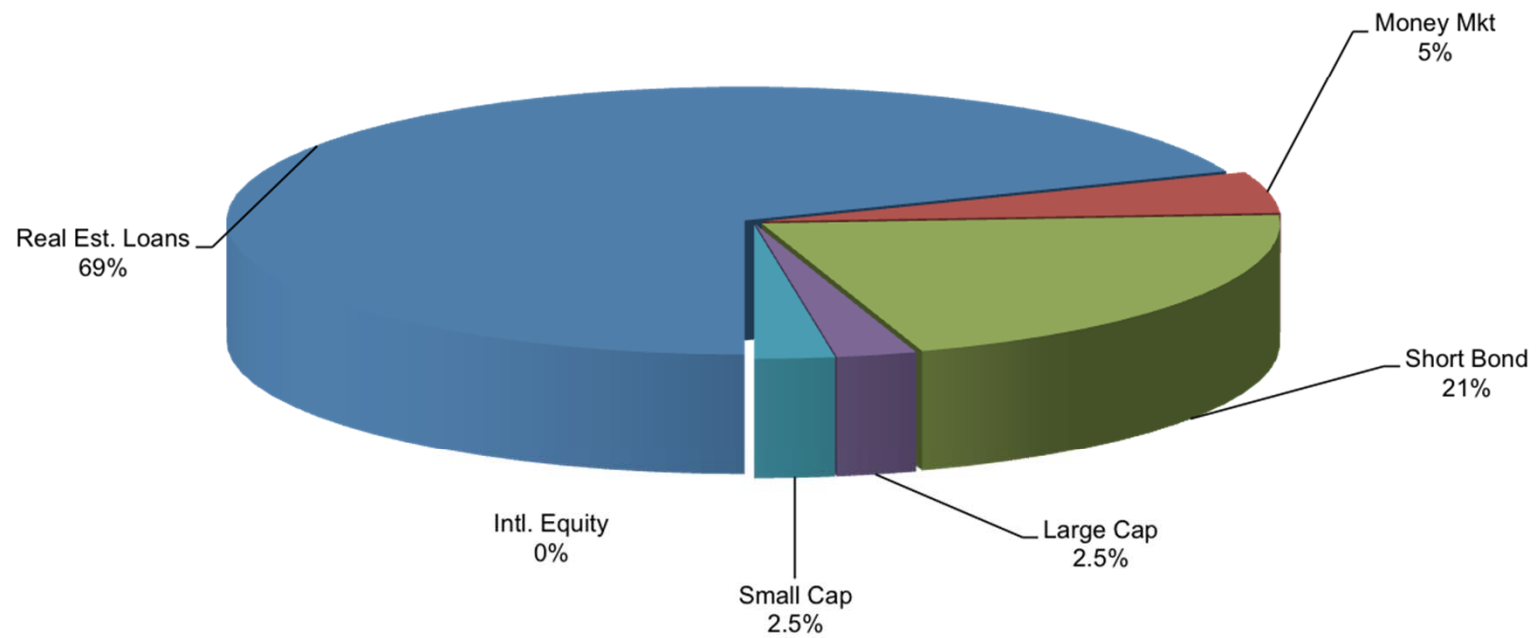
Objectives

- More aggressive than fixed income and less aggressive than equity-oriented portfolios
- Preserve liquidity (make funds easily available to depositing entities)
- Provide a steady and consistent revenue to depositors

What are the investments?

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

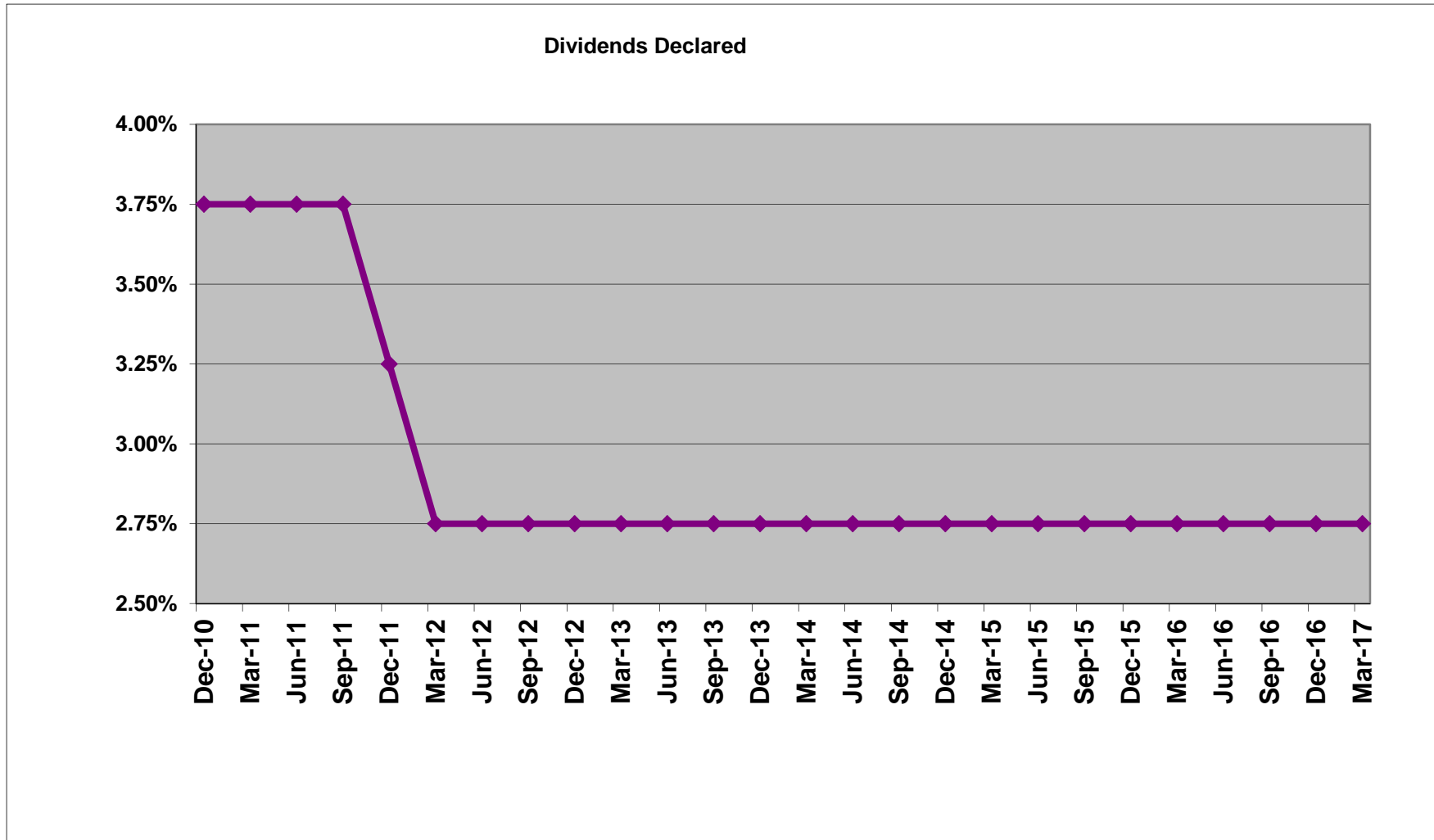
Investments



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.

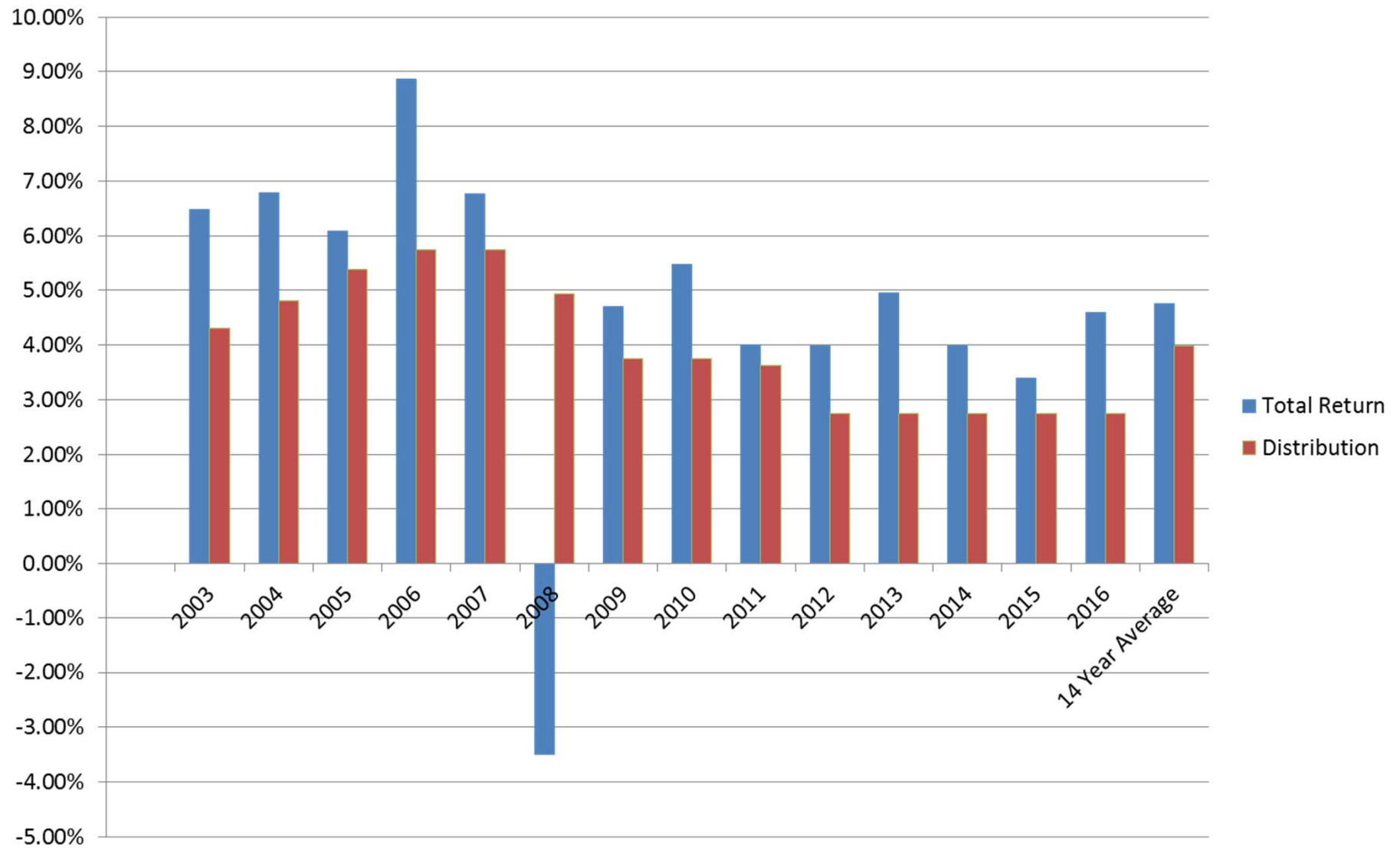
Dividend Performance



Total Return Performance

14 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	4.96%	2.75%
2014	3.98%	2.75%
2015	3.40%	2.75%
2016	4.60%	2.75%
14 Year Average	4.76%	3.99%

Total Return Performance



Additional Information

- Fund is valued weekly
- Funds are available “on demand” but some larger redemptions may require time to liquidate the funds
- No limit to deposits
- No more than 3 redemptions per month requested
- Funds should be invested on a long term basis

Additional Information

- Are we FDIC insured?
 - No. FDIC limits are \$250,000 per investment and we have a fund of \$151,000,000. It would take 604 CD's from 604 institutions or creating a registered NCUA bank/credit union.

However, the majority of the fund is secured by First Trust Deeds historically safe investments.

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.