

**ITEM E.106
ACTION ITEM**

<i>FOR GAC EXECUTIVE DIRECTOR'S OFFICE USE ONLY</i>					
<input type="checkbox"/>	A. Evangelism	<input type="checkbox"/>	D. Vocation	<input type="checkbox"/>	G. PC(USA), A Corporation
<input type="checkbox"/>	B. Justice	<input checked="" type="checkbox"/>	E. Stewardship	<input type="checkbox"/>	H. Executive Committee
<input type="checkbox"/>	C. Spirituality	<input type="checkbox"/>	F. Audit	<input type="checkbox"/>	I. Personnel Committee
<input type="checkbox"/>	P. Plenary	<input type="checkbox"/>		<input type="checkbox"/>	

Subject: Agency Summary of the Presbyterian Church (U.S.A.) Investment and Loan Program, Inc. to the 218th General Assembly (2008)

Recommendation:

That the Presbyterian Church (U.S.A.) Investment and Loan Program, Inc. requests the General Assembly Council forward the following agency summary to the 218th General Assembly (2008).

Background:

The 1995 Deliverance of Presbyterian Church (U.S.A.) Investment and Loan Program, Inc. as well as its bylaws provide that PILP report to the General Assembly through the GAC.

Report:

Report of the Presbyterian Church (U.S.A.)
Investment and Loan Program, Inc.
for the Years 2006 and 2007
to the 218th General Assembly (2008)

John H. Shannahan, Chair of the Board
James L. Hudson, President and CEO

In gratitude for God's bounty, the Presbyterian Church (U.S.A.), Investment and Loan Program, Inc ("PILP") promotes the growth of the Presbyterian Church (U.S.A.) by bringing together the dreams of church developers and the resources of Presbyterian investors and financial partners. PILP offers investments providing a competitive financial return plus the opportunity to participate in the expansion of the Kingdom of God through Presbyterian congregations, governing bodies and mission agencies. PILP offers loans to Presbyterian congregations and middle governing bodies to purchase, renovate and expand worship and mission space and to promote the growth of the Church. Guided by the best practices of the financial industry, PILP is committed to faithful stewardship of the resources entrusted to us for the support of the mission of the Presbyterian Church (U.S.A.).

PILP began 2006 with a disbursed loan portfolio of \$47.9 million and an additional \$8.8 million in commitments pending close and construction loans not yet disbursed. At the end of 2007 PILP had a disbursed loan portfolio of \$56.3 million and an additional \$8.4 million in commitments pending closing and construction loans not yet disbursed. That represents growth

of 14% over the two-year period. In 2006 PILP disbursed \$10.6 million in new loans from investor funds; in 2007 PILP disbursed \$7.1 million. We began 2006 with just under \$50 million in investments from individual Presbyterians, Presbyterian congregations, middle governing bodies and General Assembly agencies. We ended 2007 with \$61.8 million in investments. That is a 23.6% increase in two years.

In 2007 PILP experienced its seventh consecutive year with an annual surplus. The surplus of \$467,895 in 2007 was our largest annual surplus and represents a 42% increase over the 2006 surplus of \$330,340. The combined surpluses from 2006 and 2007 have given us a significant push toward our goal of rebuilding our capital base back to the \$5 million we were given as start-up capital.

The Uniform Securities Act determines who regulates PILP's investment products. The North American Securities Administrators Association establishes program guidelines for denominational investment and loan programs. PILP is expected to maintain a capital adequacy ratio of net worth to total assets of 5%. At the end of 2007 our capital adequacy ratio was 6.2%. PILP is expected to maintain a liquidity ratio of liquid assets to Term Notes and Denominational Account Receipts ("DARs") of at least 8%. At the end of 2007 our liquidity ratio was 19.1%. PILP is required to limit senior secured debt to no more than 10% of total assets. At the end of 2007 PILP had no senior secured debt.

Some commercial lenders may offer low rates or waive certain fees, but PILP is the only lender who gives money back to borrowing congregations. Through the "Get the Point" program, borrowing congregations earn rebates based on supporting investments. For 2007 PILP returned \$194,330 to borrowing congregations. PILP provides consulting services to congregations and presbyteries to help them determine the timing, size, construction plans, fundraising and financing requirements for capital projects. Each congregation benefits from the experience of the PILP staff in working with hundreds of congregations.

Also, the Presbyterian Investment and Loan Program administers the Church Loan Program, ("CLP") for the General Assembly Council. CLP is the result of many gifts, campaigns and bequests to the Presbyterian Church (U.S.A.) since 1840. The total endowment for church loans has grown to almost \$200 million. The Investment and Loan Program is working with the General Assembly Council to explore a capital grant program to supplement the existing loan program. As part of a larger discussion between the General Assembly Council and the Presbyterian Church (U.S.A.) Foundation, concerning endowment funds, we are engaged in conversations with the Foundation staff regarding changes in expectations, use of funds, administration and reporting. We have made recommendations that would make new capital grant programs available for church development, as well as securing Mission Program Grants for the foreseeable future.

CLP began 2006 with a disbursed loan portfolio of \$96.7 million and an additional \$9.2 million in commitments pending close and construction loans not yet disbursed. At the end of 2007 CLP had a disbursed loan portfolio of \$98.5 million and an additional \$12.4 million in commitments pending closing and construction loans not yet disbursed. That represents growth of 4.7% over the two-year period. In 2006 PILP disbursed \$13.6 million in new loans from endowment funds and in 2007 PILP disbursed \$12.8 million from endowment funds.

Together PILP and CLP represent the Coordinated Loan Program of the Presbyterian Church (U.S.A.) The Coordinated Loan Program is dedicated to providing low cost loans to Presbyterian Church (U.S.A.) congregations and mission agencies. At the beginning of 2006 the Prime lending-rate was 7.5%. The base interest rate for existing congregations was 6.7% from investor funds and 5.7% from endowment funds. By the end of 2007 the Prime lending-rate had dropped to 7.25%. The base interest rate for existing congregations was 7.0% from investor funds and 6.0% from endowment funds. Interest rates for new church developments are even lower. Rates are further reduced for congregations with strong mission giving to the Presbyterian Church (U.S.A.). PILP has remained competitive in an interest rate environment that has experienced large increases and decreases.

The maximum loan from CLP is currently \$450,000. The maximum project in which CLP participates is \$2.5 million. Larger loans are funded by investor funds or participations with synod loan programs or banking partners. Many loan applications received by PILP qualify for funds from both PILP and CLP. These loans are offered to churches as one loan with a blended rate.

The following are just four examples of how endowment and investor funds are helping the church grow:

- Fountain Park Presbyterian Church in Cranberry Township, Pennsylvania in Beaver Butler Presbytery purchased and renovated an existing building from an Episcopal church with the proceeds of a loan from PILP.
- In 2007, Project Vida in El Paso, Texas purchased a building to house the Project Vida Health Center using funds from PILP. Project Vida is a mission supported by the churches of Tres Rios Presbytery. The health center is a full service medical complex serving the immigrant community.
- With the help of Presbyterian investors, the Korean Presbyterian Church of Boston, Massachusetts will be breaking ground on a new education and cultural community center. This congregation is a valuable link between new immigrants and the established citizens of the area.
- Crosswinds Presbyterian Church in Phoenix, Arizona is building a new facility to enhance their music ministry and outreach to the community with a loan from PILP.

PILP collaborates with the four synods that maintain their own investment and loan programs. We administer the investment and loan program of the Synod of Lincoln Trails and we are in a multi-year process of transferring this ministry of the synod into the Coordinated Loan Program of the General Assembly.

The Board of Directors of PILP is elected by the General Assembly Council and confirmed by the General Assembly. The 2007 Board of Directors was:

John H. Shannahan, Chair
Nancy Muth, Vice Chair
Frank R. Adams, III
Mary C. Baskin
Frank Fisher, Jr.

Lavert Jones
Douglas Kenney
Carolyn Knight
Marcy M. Moody
Alice Okazaki
James B. Rea, Jr.
Connia Watson, Jr.
Kim I. Williams
Jim Dave Wilson

The Officers of the Corporation in 2007 were:

James L. Hudson, President and CEO
James G. Rissler, Senior Vice President and Treasurer
Ben W. Blake, Vice President, Sales and Marketing
Martha E. Clark, Secretary
Eric J. Graninger, Asst. Secretary