

ITEM 220 INFORMATION

Subject: REPORT OF THE COORDINATED LOAN PROGRAM

Presbyterian Church (U.S.A.) Investment & Loan Program, Inc.
John H. Shannahan, Chair of the Board
James L. (Jay) Hudson, President

INFORMATION:

The Board of Directors of the Presbyterian Church (U.S.A.) Investment and Loan Program, Inc. met October 27, 2007 in Cincinnati and by conference call on December 17, 2007 and January 26, 2008 to receive a report on the performance of the Coordinated Loan Program in 2007. The Coordinated Loan Program is a combination of the Investment and Loan Program and the Church Loan Program. It represents all of the funds available from the General Assembly for capital projects. Loan demand in 2007 was sporadic and lower than anticipated. The first three months of 2007 were very slow. After a flourish of activity in April and May, things slowed down again and did not pick up until November and December of 2007. A brief history of the disbursed loan portfolio and the pipeline of loans, which is the total of Loans Closed Not Yet Disbursed and Loans Approved Not Yet Closed is presented here for your information.

Coordinated Loan Program Loan Portfolio						
	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07	Year to Date Change
Disbursed Loan Portfolio	\$142,155,090	\$134,834,038	\$144,583,756	\$152,709,913	\$154,759,423	1.3%
Construction Loans Pending Disbursal	\$2,296,700	\$4,938,666	\$13,410,490	\$10,475,339	\$8,490,124	-19.0%
Commitments Pending Close	\$7,606,000	\$10,616,417	\$4,611,550	\$10,529,851	\$12,338,431	17.2%
Total	\$152,057,790	\$150,389,121	\$162,605,796	\$173,715,103	\$175,587,978	1.1%

The Presbyterian Investment and Loan Program administers the Church Loan Program for the Presbyterian Church (U.S.A.), A Corp. The total endowment for church loans has grown to \$200 million. As part of a larger discussion between the General Assembly Council and the Presbyterian Church (U.S.A.) Foundation, we are engaged in conversations with the Foundation staff and legal counsel regarding changes in expectations, use of funds, administration and reporting that may be required by the Foundation. We have made recommendations that would make new grant programs available for church development, as well as securing Mission Program Grants for the foreseeable future. The current base interest rate for existing congregations borrowing Endowment Funds is 5.9% and for new church developments, 4.9%, which is significantly below the Prime Lending Rate of 7.25%. Loan volume in the pipeline for Endowment Funds has decreased, but remains high at \$12.4 million. A significant portion of this volume is the result of commitments to refinance loans from the Synod of Lincoln Trails Capital Improvement Program.

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Church Loan Program Loan Portfolio						
	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07	Year to Date Change
Disbursed Loan Portfolio	\$101,923,222	\$92,877,725	\$96,668,937	\$97,725,768	\$98,492,862	0.8%
Construction Loans Pending Disbursal	\$847,504	\$3,243,346	\$5,929,465	\$5,819,338	\$4,190,308	-28.0%
Commitments Pending Close	\$3,322,970	\$6,068,873	\$3,309,550	\$8,423,351	\$8,256,941	-2.0%
Total	\$106,093,696	\$102,189,944	\$105,907,952	\$111,968,457	\$110,940,111	-0.9%

The disbursed loan portfolio from Investor Funds is \$56.3 million. In 2007 we disbursed \$7.1 million in new loans from investor funds. We had larger than expected pay-offs and pay-downs of principal. We planned for \$3.9 million in pay-downs and we received \$5.9 million during 2007. The volume of loans in the pipeline has begun to increase creating optimism about the volume of new loans that will be disbursed in 2008. Currently we have \$8.4 million in loans approved, not yet disbursed and loan commitments, not yet closed. Most of the new loan applications have been for smaller loans that will be funded with endowment funds. Several large loans have been lost to banks. The presenting issue has been the willingness of the bank to lock-in rates for five years. The interest rate for new loans from Investor Funds is 6.9%, with the potential of gaining a 1% rebate through investments.

Investment and Loan Program Loan Portfolio						
	12/31/03	12/31/04	12/31/05	12/31/06	12/31/2007	Year to Date Change
Disbursed Loan Portfolio	\$40,231,868	\$41,956,313	\$47,914,819	\$54,984,145	\$56,266,561	2.3%
Construction Loans Pending Disbursal	\$1,449,196	\$1,695,320	\$7,481,025	\$4,656,001	\$4,299,816	-7.7%
Commitments Pending Close	\$4,283,030	\$4,547,544	\$1,302,000	\$2,106,500	\$4,081,490	93.8%
Total	\$41,452,209	\$45,964,094	\$56,697,844	\$61,746,646	\$64,647,867	4.7%

The following is a brief history of new loans disbursed during each of the past seven years. There was a significant reduction in loans disbursed in 2004, especially during the fourth quarter. Both policy changes and interest rate strategy pushed disbursement of investor funds and endowment funds to show dramatic increases in 2005. Disbursements from investor funds were strong in 2006, finishing just ahead of 2005

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with our best year ever. Disbursements were slower than usual in 2007, especially for Investor Fund loans. With increasing LIBOR rates it has become difficult to arrange profitable participations from our banking partners. Several banks have expressed openness to participations and requested that we present particular loans for evaluation. In 2006 and 2007 we did not sell any participations to banks or the synod loan programs. In fact, in late 2007 we purchased back a participation from a synod loan program.

History of New Loans Disbursed				
COORDINATED LOAN PROGRAM				
Year	Investor Funds	Participations	Endowment	Total Funds
2001	\$ 8,309,686	\$2,439,937	\$19,209,060	\$29,958,683
2002	\$ 8,625,236	\$ 901,148	\$10,589,530	\$20,115,914
2003	\$ 8,798,332	\$4,681,199	\$ 8,080,573	\$21,560,104
2004	\$5,284,805	\$2,617,825	\$4,389,269	\$12,291,899
2005	\$10,579,630	\$621,510	\$16,776,967	\$27,978,107
2006	\$10,587, 617	0	\$13,609,195	\$24,196,812
2007	\$7,149,100	0	\$12,781,823	\$19,930,923

We continue to use the presentation of rebate checks as an opportunity to sell new investments. We are returning \$195,000 to borrowing congregation in rebates on interest paid in 2007. Our marketing staff has promoted the use of “Challenge Sunday” to solicit new investments from individuals and congregations with existing loans. We are continuing to promote the “Mission Market Fund” as a source of new investments. Net new investments from congregations and individuals exceeded \$4.4 million in 2007. Now may be the time to consider an additional investment or to become a part of our Investor Circle for the first time.

Investment and Loan Program							
Investments in Term Notes							
And Depository Agreements							
	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07	Year to Date Change
Notes	\$19,875,946	\$21,353,452	\$24,476,550	\$26,802,605	\$29,089,560	\$33,516,967	15.2%
Depository Agreements	\$18,999,319	\$19,440,166	\$19,734,202	\$23,150,272	\$25,938,872	\$28,270,480	9.0%
Total	\$38,875,265	\$40,793,618	\$44,210,752	\$49,952,877	\$55,028,432	\$61,787,447	12.3%

An additional \$1.5 million in deposit commitments is available from the Presbyterian Foundation.