

**HOUSING LOAN FOR CHURCH STAFF MEMBERS**

**POLICY AND GUIDELINES**

**Presbytery of the Western Reserve**

**Adopted May 22, 1989**

**POLICY**

Any church of the Presbytery wishing to make a loan to a member of its staff for assistance in purchasing a principal residence shall first consult with The Board of Trustees of the Presbytery of the Western Reserve. As an aid in carrying out this policy, the Board of Trustees has adopted the following guidelines:

**GUIDELINES FOR HOUSING LOANS BY A CHURCH**

**TO A MEMBER OF ITS STAFF**

**Purpose of loan**

Such loan may be made only for assistance in purchasing a principal residence.

**Source of funds**

The loan shall be made from funds that otherwise the Church would be investing for income.

**Terms of Loan**

The loan shall be made on a business basis although the rates of interest may be less and the repayment schedule may be more lenient than would be available from a commercial lending institution.

The rate of interest for the fixed rate loan shall be not less than one percentage point above the rate being paid on a twelve month \$10,000 certificate of deposit by a designated Cleveland bank at the time the loan is arranged. If the interest rate is variable, for the first year it shall be not less than one percentage point above the rate being paid on a twelve month \$10,000 certificate of deposit by a designated Cleveland bank at the time the loan is arranged, and it will be changed to the same relation to rate being paid on such certificate of deposit at the anniversary date of the note.

The note shall provide for monthly payments on the first day of the month beginning not more than two (2) months after the transfer of title of the property. It shall provide for the payment each month of not less than the amount that would fully amortize the obligation in twenty (20) years (preferably 15 years) on the basis of the interest rate for the first year of the note, but with the balance to be paid at the end of ten (10) years. The note will also become due and payable eighteen (18) months after the staff member ceases to be an employee of the Church.

The note may be in the form attached as Exhibit A if it is a fixed interest rate note and in the form of Exhibit B if it is a variable interest rate note. The form of note is not a negotiable note, because it is contemplated that the Church would continue to hold the note until paid rather than negotiating it to any other person.

The total amount of the loan shall not be more than the amount when added to the amount of any prior mortgage will equal 95% of the purchase price (not including in the purchase price any closing costs or “points” for the prior mortgage.).

### **Security**

The note shall be secured by a mortgage in form similar to attached Exhibit C. Notice that the mortgage contains a “due upon sale” clause. This means that the property cannot be sold subject to the mortgage; but that the Note must be paid in full at the time of the sale.

NOTE: This is an obligation of the borrower even if the sale price is insufficient to pay all liens against the property at the time of sale. (Prices of residential real estate do not always increase.)

Title to the property shall be in the name of the staff member or in the staff member’s name together with his or her spouse (either as tenants in common or in joint and survivorship form); but in any event, if the staff member is married, the Note and mortgage must be signed by both the staff member and his or her spouse.

Prior to the closing, a Commitment for Title Insurance shall be furnished to the Church by the title company in the transaction, and shall be reviewed by an attorney. At closing, title insurance shall be furnished to the Church in the amount of the mortgage.

The title company of the lending institution for the first mortgage shall act as escrow agent in the transaction.

### **Guarantees**

The church shall not obligate itself as guarantor of the obligation of any person.

### **Exceptions**

Under unusual circumstances, the Board of Trustees by formal action may approve an exception to any of the guidelines.

EXHIBIT A

**PROMISSORY NOTE SECURED BY MORTGAGE**

\$ \_\_\_\_\_, Ohio  
\_\_\_\_\_, 20\_\_

FOR VALUE RECEIVED, \_\_\_\_\_ (hereinafter referred to as "Maker") promises (or, if more than one person, jointly and severally promise) to pay to \_\_\_\_\_ ("Payee") the principal amount of \_\_\_\_\_ and \_\_\_\_\_/100 Dollars (\$ \_\_\_\_\_) with interest on the unpaid principal balances from the date hereof at the rate of \_\_\_\_\_ percent (\_\_\_\_%) per annum, which sum will be payable in \_\_\_\_\_ consecutive monthly installments of principal and interest in the amount of \_\_\_\_\_ and \_\_\_\_\_/100 Dollars (\$ \_\_\_\_\_) each, with the first installment due and payable on the first day of \_\_\_\_\_ and subsequent installments due and payable on the first day of each month thereafter. The entire balance shall be paid on or before \_\_\_\_\_.

All installments shall be paid at the address designated by Payee.

All installments shall be applied first to payment of accrued interest and second to payment of principal. Principal and interest may be prepaid, in whole or in part, at any time without penalty. In the event of a partial prepayment, the amount of the monthly installments will remain unchanged.

To secure the payment of this Note, Maker has delivered a mortgage deed to Payee on property located at \_\_\_\_\_. Default under the terms of such mortgage deed shall constitute a default under the terms of this Note.

If Maker fails to make any payment due under this Note within seven (7) days after written notice from Payee that such is past due, or if Maker fails to cure any breach of the terms of the mortgage securing this Note within fourteen (14) days after written notice from Payee, Payee may elect to declare the entire indebtedness to be immediately due and payable. The entire indebtedness under this Note shall become due and payable eighteen (18) months after Maker (or either of them) ceases to be an employee of Payee.

The Maker shall pay all court costs incurred in the collection of this Note.

This Note shall be governed by and construed in accordance with the laws of the State of Ohio.

\_\_\_\_\_  
\_\_\_\_\_  
Maker

EXHIBIT B

**PROMISSORY NOTE SECURED BY MORTGAGE**

NOTICE: THIS NOTE CONTAINS AN ADJUSTABLE INTEREST RATE

\$ \_\_\_\_\_, Ohio  
\_\_\_\_\_, 19\_\_

FOR VALUE RECEIVED, \_\_\_\_\_ (hereinafter referred to as "Maker) promises (or, if more than one person, jointly and severally promise) to pay to \_\_\_\_\_ (the "Payee") the principal amount of \_\_\_\_\_ and \_\_\_\_\_/100 Dollars (\$ \_\_\_\_\_) with interest on the unpaid principal balances from the date hereof at the initial rate of \_\_\_\_\_ percent (\_\_\_\_%) per annum, which sum will be payable in consecutive monthly installments of principal and interest in the amount of \_\_\_\_\_ and \_\_\_\_\_/100 Dollars (\$ \_\_\_\_\_) each, with the first installment due and payable on the first day of \_\_\_\_\_ and subsequent installments due an payable on the first day of each month thereafter. The entire balance of principal and interest shall be paid on or before \_\_\_\_\_.

All installments shall be paid at the address designated by Payee.

All installments shall be applied first to payment of accrued interest and second to payment of principal. Principal and interest may be pre-paid, in whole or in part, at any time without penalty. In the event of a partial prepayment, the amount of the monthly installments will remain unchanged.

The interest rate charged under this Note will be adjusted on each anniversary of the date hereof. Such adjusted interest rate shall be equal to the interest rate by \_\_\_\_\_ Bank on its twelve-month certificates of deposit on the anniversary date plus one percentage point. Increases or decreases in the interest rate will not result in a change in the amount of each monthly installment, but will affect the amount of interest being paid.

To secure the payment of this Note, Maker has delivered a mortgage deed to Payee on property located at \_\_\_\_\_.  
Default under the terms of such mortgage deed shall constitute a default under the terms of this Note.

If Maker fails to make any payment due under this Note within seven (7) days after written notice from Payee that such is past due, or if Maker fails to cure any breach of the terms of the mortgage securing this Note within fourteen (14) days after written notice from Payee, Payee may elect to declare the entire indebtedness to be immediately due and payable.

The entire indebtedness under this Note shall become due and payable eighteen (18) months after Maker (or either of them) ceases to be an employee of Payee.

The undersigned shall pay all court costs incurred in the collection of this Note.

This Note shall be governed by and construed in accordance with the laws of the State of Ohio.

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Maker

EXHIBIT C

**MORTGAGE DEED**

KNOW ALL MEN BY THESE PRESENTS, that \_\_\_\_\_,  
\_\_\_\_\_, whose address is \_\_\_\_\_,  
(insert marital status)  
Ohio \_\_\_\_\_ (hereinafter referred to as "Mortgagor"), grants with Mortgage Covenants  
to \_\_\_\_\_, whose address is \_\_\_\_\_  
\_\_\_\_\_, Ohio \_\_\_\_\_ (hereinafter referred to as "Mortgagee"), the Real Property  
described in Exhibit A attached hereto, which shall include all current and future improvements  
thereto and all appurtenant rights. Mortgagor excepts the following encumbrances from such  
Mortgage Covenants: easements, conditions, restrictions, and limitation of record; zoning  
ordinances; and taxes and assessments, both general and special, not yet due and payable.

This Mortgage is also subject to a first mortgage lien granted by Mortgagor to \_\_\_\_\_  
\_\_\_\_\_, and recorded in Volume \_\_\_\_\_, Page \_\_\_\_\_, et seq., of the Records of  
\_\_\_\_\_ County, Ohio, in the original amount of \_\_\_\_\_ Dollars  
(\$\_\_\_\_\_).

This Mortgage is given upon the Statutory Condition to secure the payment of Mortgagor's note  
("the Note") to Mortgagee dated \_\_\_\_\_, 20\_\_\_\_, in the principal amount of \_\_\_\_\_  
\_\_\_\_\_ Dollars (\$\_\_\_\_\_ ) with interest as provided for therein.

"Statutory Condition" is defined in Section 5302.14 of the Ohio Revised Code and provides  
generally that if Mortgagor pays the principal and interest secured by this Mortgage, performs  
the other obligations secured hereby and the conditions of any prior mortgage, pays all taxes and  
assessments on the Real Property, maintains insurance against fire and other hazards, and does  
not commit or suffer waste, then this Mortgage shall be void.

The following additional covenants shall apply.

1. Insurance. Mortgagor shall keep the Real Property insured against casualty loss under a fire and extended coverage or an all-risk insurance policy in an amount not less than the total mortgage indebtedness encumbering the Real Property or 80% of the replacement cost of the permanent improvements located on the Real Property. Mortgagor shall furnish Mortgagee with a certificate of insurance within 10 days of the date hereof. Such policy shall contain (a) an appropriate mortgagee's loss payable clause and (b) a provision that it shall not be subject to termination or significant modification except upon 10 days written notice to Mortgagee by the insurance carrier.

In the event of any significant loss or damage to the Real Property, Mortgagor will give prompt notice thereof to Mortgagee. Proceeds of insurance shall be used by Mortgagor to restore the Real Property to substantially the same condition as existed prior to the loss or damage, unless such restoration is not economically feasible in Mortgagee's reasonable judgment or if, in Mortgagee's reasonable judgment, the security of this Mortgage would be impaired, in which case the insurance proceeds shall be applied to the sums secured by this Mortgage (to the extent permissible under any prior mortgage) with the excess, if any, paid to Mortgagor.

2. Maintenance. Mortgagor shall keep the Real Property in good repair, and shall not commit or permit waste or deterioration of the Real Property.
3. Right of Payment. Mortgagee shall have the right to pay any taxes, assessments, or insurance premiums for the Real Property which Mortgagor fails to pay as they come due, and to make any needed repairs to the Real Property not made by Mortgagor. Mortgagee shall also have the right to perform any obligation Mortgagor fails to perform under the terms of any senior mortgage or note secured by such mortgage. Any amount paid by Mortgagee under this paragraph, with interest thereon at the interest rate charged under the Note shall become additional indebtedness of Mortgagor secured by this Mortgage and shall be repaid to Mortgagee upon written notice from Mortgagee. Any default by Mortgagor in performing any obligation of any senior mortgage or note secured by such mortgage shall be deemed to be a default hereunder.
4. Due on Sale. If all or part of the Real Property or any interest therein is sold or transferred by Mortgagor without Mortgagee's prior written consent, including, but not limited to, an agreement or option to purchase, a land contract, a lease with option to purchase, or any agreement to purchase or other instrument by which legal or equitable title is or will be transferred, but excluding (a) the creation of a lien or encumbrance subordinate to this Mortgage which does not give possessory or usage rights with respect to the Real Property to another

person, (b) the grant, for a period of three years or less including all options to renew, of any leasehold interest not containing an option to purchase, or (c) a transfer by devise, descent, or operation of law upon the death of a joint tenant, then Mortgagee may, at Mortgagee's option, declare all sums secured by this Mortgage to be immediately due and payable.

5. Condemnation. To the extent permissible under any prior mortgage, Mortgagor hereby assigns to Mortgagee the proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of the Real Property or any part thereof or for conveyance under threat of condemnation. The proceeds shall be applied to the sums secured by this Mortgage with the excess, if any, paid to Mortgagor.
6. Default. If Mortgagor fails to make any payment on the indebtedness hereby secured, or if Mortgagor fails to cure any other breach of the Statutory Condition under this Mortgage within fourteen days after written notice from Mortgagee to cure such default, Mortgagee may elect to declare the entire indebtedness hereby secured to be immediately due and payable without further demand and may foreclose this Mortgage by judicial proceeding. Mortgagee shall be entitled to collect in such proceeding all expenses of foreclosure.
7. Inspection. Mortgagee may make or cause to be made reasonable entries upon and inspections of the Real Property, provided that Mortgagee shall give Mortgagor reasonable advance notice of its intent to make such inspection.
8. No Waiver. Any forbearance in exercising any right or remedy granted hereunder or otherwise afforded by law shall not be a waiver or preclude the exercise of any such right or remedy.
9. Rights and Remedies of Mortgagee – R.C. 1311.14.

Mortgagee is authorized and empowered to perform all acts which a mortgagee may perform under Section 1311.14 of the Ohio Revised Code or any amendments thereof or acts supplementary thereto, for the protection of Mortgagee's interest in the Real Property.

A breach of any additional covenant shall be deemed to be a breach of the Statutory Condition.

