



WELS Church Extension Fund (CEF) Loan Program Overview:

WELS Church Extension Fund provides mortgage loan financing to WELS mission congregations and WELS self-supporting churches and schools for land and facility projects. Typical loans may include the following: parsonage purchase or build, land purchase, facility (sanctuary, school / classrooms, fellowship area, etc.) construction loan, existing facility purchase and renovation, refinancing of loan from other lender, and consolidation of existing debt with add-on for repairs.

Getting Started:

1) Contact with your District

Whether you are a new “mission status” or established WELS congregation considering a loan with WELS CEF, it is important that you contact your District Mission Board (DMB) or District President (DP), or his designee, early in the process to make them aware of your intentions. All new mission status financing requests require DMB consent / endorsement. The DMB consent / endorsement process includes the development of a comprehensive ministry plan and budget forecasts prior to seeking loan information from WELS CEF. Established WELS congregations seeking project financing with CEF are expected to cover the ministry plan and budgeting process in their application materials.

2) Pre-application Discussion with WELS CEF Loan Officer

WELS CEF’s loan officers are eager to serve your congregation and will make every effort to ensure all necessary information and resources are available for your financing request. If you are planning a new project that will involve CEF financing, it is recommended that you contact the CEF loan office early in the planning stages of your project to discuss your financing eligibility and allow enough time for adequate planning and analysis. CEF loan officers will help you determine your eligibility for loans and possible “mission status” matching grant opportunities.

3) Financial Self-Assessment

To understand your congregation’s ability to handle loan payments for a planned project, your congregational officers will need to gather financial statements, such as Income and Expense reports and balance sheets, for the prior 3 years and current fiscal year-to-date periods for CEF’s review. The development of a 10-year financial projection budget worksheet is also required and will be provided to your financing contact person by your CEF Loan Officer after receipt of the historical financial information referenced above. Your CEF Loan Officer will also provide sample payment schedules so the budget projection worksheet includes the proposed financing.

4) Application Submission

After preliminary planning, analysis, and assessment has occurred and both WELS CEF and your church or school are comfortable with a proposed financing plan, the next step would be the formal loan application submission. The following pages of this document detail the steps CEF will follow in the evaluation process. Your CEF Loan Officer discuss data submission, coordination and planning of the technical application components, and the timeline for data submission, underwriting, and review by the CEF Loan Committee.



WELS CEF Application policy overview – September 2019

Application process:

CEF has established the following application steps to ensure Mission or Self-Supporting congregational requests are handled expeditiously and in accordance with CEF Loan Policy – section IX A. – Analysis of Potential Loans.

- A. Ministry Plans – CEF’s primary focus with the Ministry Plan is not to evaluate the type of ministry to be conducted. CEF’s requirement of Ministry Plans and the District Mission Board (DMB), or the District President’s for Self-Supporting requests, endorsement / approval of the plans is to ensure a close working relationship between the Congregation and the District’s governing body.
- B. DMB endorsement for Mission congregations – first land / facility projects. The CEF application and approval process in the case of Mission congregations is based on at least 50% mission opportunity. Having the DMB’s endorsement toward the ministry plan and an overall assessment of the opportunity as it is presently perceived is critical to the Loan Committee’s review and decision process.
- C. Financial statement review – renewal of existing CEF loans requires submission and review of the prior three (3) years and interim financial statements by the attending Loan Officer and the CEF Loan Committee. New originations require the same prior financial statement submission (if any) and review and a 10-year projection model for the financial performance of the new request. The Loan Officer and Loan Committee will review the detail provided in the projections for various trends and information:
 - Financial performance projections in correlation to the Ministry Plan objectives
 - Growth projections – an assessment of the pace being set – conservative, moderate, aggressive.
 - Detail of the projections -- is the ministry plan growth projected mirrored in the revenue and expense detail.
 - BHM Subsidy – CEF wants to see the eight (8) year subsidy retirement within the 10-year projections. An assessment of the revenue gap and subsidy revenue replacement will be seen in the loan presentation to the Loan Committee.
 - Reserves – the Loan Committee will want to see the congregation’s assessment of mechanical and building / maintenance issues by way of dollars being set aside in years 5 and up for these eventual realities.
- D. Description of property / building plans, drawings, etc. – The Loan Officer will require these initial purpose and collateral descriptions to properly frame the request. Congregations planning for real estate transactions are encouraged to contact the CEF Loan Officer for potential amortization schedules and “what-if” scenario discussion to aid in the eventual loan application and credit approval stage of the request.



- E. Capital infusion and fund drive efforts – At the time of credit application CEF will assess only the actual cash on hand. Future fund drive efforts are not considered in the “potential” down payment of the project being contemplated. Project capital infusion requirements for Mission status congregations and Mission-minded self-supporting congregations are set at 10 and 20 percent of the total project size respectively. Qualifying expenses, prior to application, used toward the required capital infusion, are limited to physical site evaluation, permitting fees & expense, and architectural design. Requests for capital infusion qualification will include a complete listing of all expense and detailed reports obtained.
- F. Furniture, Fixtures, and Equipment (FF&E): CEF follows an eight percent (8%) of construction project size guideline for new construction projects. A listing of FF&E expenses being proposed for inclusion into the new project is required prior to application.
- G. “Business Plan” – If not already covered in the Ministry Plan detail, CEF will assess the congregational leadership team and the infrastructure in place to provide for the Ministry Plan growth projections and financial reporting. CEF Policy calls for a brief biography of the church / church-school officers.
- H. **Application process in stages:**
- Pre- application discussion – “Mission” status congregation are encouraged to contact the CEF Loan Origination Manager (see D. above) well in advance of credit application to discuss initial congregational plans and to receive potential loan amortization schedules, typical loan terms, and preliminary answers to questions they may have. “Mission-minded self-supporting” congregations typically have experienced the construction process prior to the new project request and as such, are encouraged to contact CEF with pre-construction planning questions when they arise.
 - Financial self-assessment – CEF will provide the template for ten (10) year projections for new project requests. The congregation’s officers will work through the Ministry plan objectives and develop the correlating financial revenue and expense projections.
 - Application submission – The package coming to CEF will be for **credit approval** – Ministry Plans, Endorsements, Financial statements and projections, project description, advance drawings, capital infusion, on-going building plan infrastructure.

CEF will evaluate the credit aspects of the application and if the CEF Loan Committee grants a “conditionally approved” status, the credit process will continue.

- **After Loan Committee “conditional approval”** – The CEF Loan officer will issue a CEF Commitment Letter to the congregation detailing the next steps in the credit process. Generally, once the credit approval / conditional approval is issued, the commitment to the applying congregation will have a duration of six (6) months.
- **The conditionally approved “commitment” letter** – will require the congregation to send in the earnest money / down payment proceeds prior to any further activity.



With Conditional approval in place and down payment on deposit with CEF the “technical” stage of the loan process begins.

- CEF will control all phases of the “condition” fulfillment including but not limited to:
 - **Appraisal** – CEF has specific requirements for the appraisal and CEF will authorize and engage a CEF approved appraiser to assess the property being considered for purchase / construction.
 - **Title Policy** – CEF will engage a Title Insurance agent to provide a commitment to lend. Exceptions to the title policy will be researched by the Loan Officer and either approve or take back to the Loan Committee for further review.
 - **Survey** -- CEF has specific requirements for the survey and CEF will authorize and engage a local surveyor to provide a spotted plat survey of the intended building plans.
 - **Civil Engineering** – If not previously done by the applicant congregation, CEF will authorize and engage a local Civil Engineering firm to provide land and building requirements of the City, Municipality, County, etc. having jurisdiction of the property and construction being proposed. CEF will look for typical costs associated with the development project.
 - **Facility Inspection** – A purchase request of an existing facility will require a Property Condition Assessment (PCA - according to standards set forth by the American Society for Testing and Materials) that relies on a walk-through survey, document review and interviews—all performed by a professional commercial property inspector— to determine the property's condition.
 - **Environmental study** -- CEF will authorize and engage a licensed firm to perform the study.
 - **Flood** – Generally this will be included in a MAI appraisal however, if necessary CEF will engage a firm to perform this assessment.
 - **Other** – CEF will engage any other service deemed necessary by the Conditional Approval.

Once the conditions of the Conditional approval are satisfied according to the Loan Committee’s direction, the next phase of the credit application “preparation for closing” will commence.

- CEF will produce or, have produced, a Loan and Security Agreement document in accordance with the credit approval.
- Mortgage / Deed of Trust will be produced according to state / province / national statutes.
- Assignment of Lease / Rental will be produced.
- Additional documentation as necessary – pursuant to state / province / national statutes.
- Closing will either be at a local attorney’s office or by mail depending on transaction.

CEF funding will proceed when all required signed original documents are presented to the CEF office.