

## **Diocese of Arkansas Clergy Housing Loan Policy**

### **I. PURPOSE**

The purpose of the Clergy Housing Loan Fund is to provide loan assistance to the clergy to encourage and enable their purchase of private residences while in active ordained ministry in the Diocese of Arkansas. Executive Council may approve loan assistance to the clergy for essential repairs and maintenance.

### **II. OPERATION**

Cleric shall arrange his or her own first mortgage loan. A member of the Clergy Housing Loan Committee will be available to counsel with the cleric prior to his/her applying for a first mortgage loan.

The clergy housing loan shall generally be no more than \$25,000, unless exceeded by Executive Council.

The balance due on the first mortgage and the clergy housing loan will not exceed the property's appraised fair market value, plus closing costs.

The interest rate will be the mid-term Applicable Federal Rate (AFR) as of the date of the loan. The AFR is usually below bank rates.

The Diocese will require from the cleric (and spouse, when applicable):

- Formal promissory note secured by a duly recorded junior lien on the residential property
- Proof of insurance adequate to cover both the first and second mortgage amounts and showing the Episcopal Diocese of Arkansas as an additional insured
- If the loan is being made subsequent to the purchase of the property, then mortgagee title insurance equal to the amount of the second mortgage will be required.

Principal and interest will be amortized on a monthly schedule as negotiated with the loan committee, but with the entire principal maturing five years from the date of the note, or upon sale of the house by the cleric, whichever is sooner. If the cleric's services to the church shall terminate for any reason, the principal shall be payable in full not later than one year from the date of such termination of services. For clergy continuing in their cures, extensions of notes may be granted at the discretion of the loan committee, the interest rate to be determined at that time.

### **III. PROCEDURES**

Cleric makes inquiry of the Financial Coordinator of the diocese to determine whether funds are available.

Cleric makes written application (informal letter) to the Financial Coordinator, who will forward it to the clergy housing loan committee for action.

If the loan is approved, the Financial Coordinator and the Chancellor of the diocese complete the loan transaction with the cleric, i.e., execute note and mortgage, disburse funds, give payment instructions. Alternatively, all second mortgage documents and monies are handled through the closing agent assigned by the first mortgagee.

Executive Council shall be informed of the action taken on the clergy housing loan request.

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#### **Letter requesting a clergy housing loan must include:**

- Owner/s of record (your name/s as they appear or will appear on the deed and first mortgage)
- Amount needed and purpose/s for which loan proceeds will be used
- Estimated settlement date
- Preferred monthly payment amount for clergy housing loan
- Physical address of property
- Legal description of property as it appears on the deed and first mortgage
- When the loan is to help purchase a home:
  - the purchase price, first mortgage amount, and estimated closing costs
  - statement verifying that the first mortgagee knows of the cleric's request for a loan secured by a second mortgage
- If you already own the home, the principal balance due on the first mortgage

#### **Other information to be provided as soon as possible:**

- Name and address of first mortgagee, with name and phone number of loan officer
- Verification of first mortgage loan terms and payment amount
- Credit report is required if the clergy housing loan is to help purchase a home. If the loan is for essential repairs and maintenance, a recent credit report is needed if one is available. If not, then 3 credit references are required.
- Copy of property appraisal when you purchased the home. First and second mortgages will not exceed appraised fair market value, plus closing costs.
- Copy of title insurance policy or title commitment
- Copy of settlement statement

#### **Please address inquiries to:**

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