

BACKGROUND

In October 2020, the Denver Presbytery assembly approved a motion to put 5% of the amount received from the sale of properties by the presbytery into an account to help pastoral leadership rent or purchase housing with mortgage assistance. As of 8/23/2022 the fund had \$212,701.43 in it. The task force created by Committee on Ministry (COM) and Finance and Property (F&P) to work out the specifics for use of these funds began meeting in September 2021. The group consisted of Lance Grothe and Laura Littman from COM, and Sharon Blackstock and Mike Norris from F&P; Olivia Hudson Smith, Stated Clerk, and chaired by Pat Queen, F&P.

We started with a list of 8 questions that arose from a ZOOM between the 2 groups, and by answering them determined the following:

1. Terms of call may provide a floating time to offer assistance to the pastor or presbytery staff person. There is no ticking clock. Each request will be considered when it is received, as funds are available. During first contacts with applicants, the congregations PNC (pastor nominating committee) or the presbytery staff nominating committee is encouraged to share that mortgage assistance is available. Search committees may also wish to include the opportunity in promotional notices about the position.
2. For loans to congregations, there will be no requirement by the presbytery that the pastor stay for a specified period of time. That decision is left to the pastor/congregations. The loan plus interest is to be repaid in full regardless of tenure.
3. Presbytery full time staff and congregational pastoral leadership are eligible for mortgage assistance as outlined in this policy.
4. Congregations will receive loans only, not grants. Maximum loan from the presbytery to a congregation for mortgage assistance for its pastor is \$50,000. Current funds available for all loans to congregations for this purpose is \$212,701. Mortgage assistance funds for FT presbytery staff will come from a different account and will be provided through a negotiated shared equity agreement. The maximum amount that can be requested by presbytery staff is also \$50,000.



5. The presbytery will not require congregations to provide a matching amount to be eligible for a loan.
6. Currently, the funds available for loans to congregations is based on 5% of proceeds from the sale of presbytery-owned property and full repayment by congregations for the loan amount plus interest. In the future, if there is a sale of additional presbytery-owned property, the presbytery may adjust the funding level, if feasible.
7. Presbytery staff will be required to repay presbytery upon sale of the property or termination of employment per provisions of the shared equity agreement between the staff person and the presbytery.
8. The Presbytery Expense Reimbursement Policy as approved March 28, 2006, allows for certain types of loans which must be repaid within one year. This proposed Mortgage Assistance Policy cannot be adopted until the Reimbursement Policy is modified to allow for mortgage assistance based on an approved mortgage assistance policy.



ADDITIONAL INFORMATION

“Congregations” used as defined by the Book of Order G-1.0102 and G-1.0103.

Fund Account 30145, Housing Assistance Fund will be used for loans to congregations. The fund amount is determined by the sale of property as approved by assembly and currently has a balance of \$212,701.43. If the maximum \$50,000 is requested and approved, this would allow assistance to four congregations/pastors. The congregations can also offer some assistance in addition to what they borrow from the presbytery.

Fund Account 30295, Undesignated Sale Proceeds, will be used for mortgage assistance for presbytery staff, based on a shared equity agreement.

The AFR, Applicable Federal Rate, is the minimum interest rate that the Internal Revenue Service allows for private loans. It is frequently used for loans between related parties (parent and child), and essentially assures the lender that the loan will not be considered a gift and will not incur taxation. AFR is reset based on market interest rates monthly and is published for three categories of loans - short-term, mid-term, and long-term. The AFR rates can and do go up and down like any other interest rate. Since the loan is between two non-profit 501C3 entities, there should not be any type of taxation imposed. The AFR interest rate is expected to remain less than traditional mortgage rates and the prime rate, as it is now.

Resources include Denver Presbytery Stated Clerk, Finance and Property chair, Committee on Ministry moderator and Personnel Committee moderator.



ASSISTANCE FOR PASTORAL LEADERSHIP

The Presbytery Assembly in October 2020 approved mortgage assistance to presbytery pastoral leadership serving in or commissioned by a Denver Presbytery chartered faith community (e.g., ministers of the Word & Sacrament, worshiping community leaders, and commissioned ruling elders). Consideration will be done case by case, based on available funds and a partner congregation or entity willing to execute the loan agreement. In order to put this in place, the Committee on Ministry and the Finance and Property Workgroup have developed two separate policies: Process for Congregations, and Presbytery Staff Process.

PROCESS FOR CONGREGATIONS

Funding for the congregational loan requests will come from Fund Account 30145, Housing Assistance Fund Balance. Applications shall be submitted to the Finance and Property Workgroup chair whose committee will work with the pastor nominating committee and/or session and will make the decision for approval.

Terms for mortgage assistance shall be discussed by each congregation's session and the pastor during the terms of call negotiations and could include either of the following:

- (a) a straight loan incurring interest, from the presbytery to the local congregation for mortgage assistance to its pastor. The loan to the congregation plus interest is to be repaid to the presbytery within ten (10) years, or upon sale of the property, or dissolution of the pastoral relationship, whichever comes first; or
- (b) a loan to the congregation to enable a properly executed shared equity agreement between the congregation and the pastor. A shared equity agreement has been developed for presbytery staff and can be used as a template for drafting a similar agreement between congregation and pastor. The presbytery must be repaid within a maximum of ten (10) years the full amount borrowed by the congregations, plus interest, regardless of any such agreement.



Whichever option is chosen, a promissory note back to the presbytery, guaranteeing payment by the local congregations will be required.

STEPS FOR CONGREGATIONS

1. Congregations considering providing pastoral leadership with mortgage assistance should contact the chair of the Finance and Property Workgroup
2. The maximum amount a congregation can borrow from the presbytery is \$50,000.
3. Interest will be a fixed rate based on the current Applicable Federal Rate (AFR) at the time the loan is closed/executed.
4. The congregation may elect a 10-year amortization period for repayment or a lesser period. Example: The AFR as of May 2022 for 10 years is 2.36% making the monthly payment \$468.17.
5. Should the pastor leave for any reason prior to the end of the amortization period, the remaining loan balance and interest will be due to the presbytery upon the sale of the property or 120 days, whichever comes first.



ASSISTANCE FOR PRESBYTERY STAFF

The Presbytery Assembly in October 2020 approved mortgage assistance to full-time presbytery staff. In order to put this in place, the Committee on Ministry and the Finance and Property Workgroup have developed two separate policies: Process for Congregations, and Presbytery Staff Process.

PRESBYTERY STAFF PROCESS

Funding for presbytery full time (reported by W-2) staff requests will come from Fund Account 30295, Undesignated Sale Proceeds Balance.

Applications shall be submitted to the Finance and Property Workgroup chair, whose committee will work with the presbytery staff nominating committee, presbytery Personnel Committee, and/or staff person, and will make the decision for approval.

Specifics should be discussed during the terms of call negotiations by the presbytery staff nominating committee, presbytery Personnel Committee, and the employee, assisted by the Finance and Property Workgroup chair if necessary. If it is determined there is a need for assistance in order to purchase a home, a properly executed shared equity agreement between the presbytery and the staff person will be executed.

Leaving a staff position for any reason requires payment to the presbytery in full within a 120-day period per §6.4 of the shared equity agreement.

STEPS FOR STAFF

1. Current staff considering mortgage assistance should contact the chair of the Finance and Property Workgroup. New staff will have this discussion with the presbytery staff nominating committee and presbytery Personnel Committee as part of their terms of call negotiations.
2. The maximum amount a staff person can receive by executing a shared equity agreement is \$50,000.
3. Utilize Denver Presbytery Shared Equity Agreement to complete the process.

