

Loan and Grant Committee Report to the 225th Annual Diocesan Convention

The Loan and Grant Committee of the Diocese of New Jersey functions under Canons 20 and 21 of our Diocese. Its members are appointed annually by our Bishop. The Committee's mission is to empower the congregations of our Diocese to undertake, with the help of loans or grants, building, replacement or repair projects which they would not be able to undertake on their own. Loans may be recommended by the Committee, subject to the approval of Diocesan Council, which serves as the officers and trustees of The Venture in Mission Loan Fund, the Capital and Revolving Loan Fund, and the R. Bowden Shepherd Loan Fund. Applicant churches must fill out the two page application form and include all the extra documents specified on the form, which is available from the Finance Office at Diocesan House, and include the plan for repayment of any loan.

Grants may be considered only for Mission churches, which must also submit the application form and satisfactory supporting documents. Once an application for a grant is deemed to be complete by the Loan & Grant Committee (which is not the same thing as being approved), the application is forwarded to the Board of Missions for its consideration. As part of its evaluation of the grant request, the Board of Missions evaluates the stewardship and evangelism activities and plans of the applicant mission church. If the Board of Missions endorses the grant application, it is then considered by the Loan and Grant Committee. If the grant application is endorsed by the Loan and Grant Committee, it then goes to Diocesan Council for its consideration. Any grants are made only from the Capital and Revolving Fund (Canon 21, Section 2); "no grant shall be made for a sum larger than \$10,000 without the approval of the Convention." Loan applications from mission churches must also have been endorsed by the Board of Missions before being considered by the Loan and Grant Committee.

Applicant churches, whether Missions or Independent Parishes, are advised to recognize the time involved in this process and to read the application and need for supporting documents carefully, and preferably to consult with the Chair of the Loan & Grant Committee before proceeding. Typically, a capital campaign is needed to underwrite a loan, so a church seeking a loan is advised to consult both with the Chair of this Committee and with the Stewardship Committee of our Diocese, and with the Commission on Church Architecture (if appropriate).

Loans from the R. Bowden Shepherd Fund are, by canon, set at 5% and are only given to "missions and assisted parishes". Loans from the Capital & Revolving Fund are interest free by canon and are available, by canon, to "parishes, organized missions, chapels or other entities in union with or a part of the Diocese of New Jersey." It has been the policy of the Loan and Grant Committee in recent years to give such interest-free loans from this Fund to parishes *only* as bridge loans in the case of applicant parishes which would be waiting to receive reimbursement from the New Jersey Historic Trust (which requires recipients to pay contractors, submit receipted bills and wait for State reimbursement). The Committee has had a satisfactory recent experience with a one year "balloon note" to Christ Church, Middletown for this purpose (which was repaid in a very timely manner) and authorized another such loan in 2008 (as noted below). In recent years, the Committee has only made loans to missions from the Capital & Revolving

Fund as a “blended loan”, with half of the principal coming from the R. Bowden Shepherd Fund, for a blended rate of 2 ½ %, which means that mission churches with loans would always get a lower interest rate than Independent Parishes. This has been a successful approach.

Loans from the Venture in Mission Fund are for Independent Parishes. The interest rate must range between 4% and 12% (in accordance with canon) and is set by Diocesan Council upon the recommendation of the Loan and Grant Committee. The current rate for new loans is 5%.

Payments on loans are usually made monthly, and for a total amount and length of time as set by the Committee. The Committee always reserves the right to reject loan or grant applications. The Committee meets on demand, and preferably at the applicant church so as to see the project under consideration. The Chair calls the applicant church to discern possible meeting times, and then sets the day and time so as to ensure the greatest possible attendance by members of the Committee. (In the interests of time, more than one application may be considered at a meeting, so it is not always the case that the Committee sees every proposal in person, though that is ideal.)

In all cases, principal and interest payments on loans go back into the respective fund(s) from which the loans were drawn, thus making possible future loans for churches. In addition, income from the balances not currently loaned out within each fund are reinvested in the respective fund.

Several years ago, the Committee realized that many missions are unable to afford to take out loans (especially those which are already having their operating budgets subsidized) but that they may have property repair/replacement needs which could be addressed by the ability of the Committee to recommend grants for capital purposes. The Committee felt that this is especially appropriate since all buildings of mission churches are diocesan properties and our Diocese has a responsibility for their care. The Committee therefore began considering grant applications under the process outlined above.

The Committee increasingly realized that some of the applications involved “emergencies” which could have been anticipated had a systematic review of the properties been undertaken, and the Committee also became concerned about how many potentially hazardous situations might exist in buildings of mission churches without the diocesan office (and perhaps the priest and people of the churches) being aware of them. (I myself once lived in a vicarage which had a dangerously substandard wiring which no one knew about until the church hired an electrical inspector at my urging.) The Committee then started to require that any mission church receiving a grant have a full, professional inspection of its buildings (paid for by a small grant from the Capital and Revolving Fund) before the actual work for the grant be done. In one case, this resulted in the discovery of a carbon monoxide leak in a building; if that building’s window, door and insulation leaks been remedied before the carbon monoxide was checked, the results could have been lethal.

The Committee then proposed to Diocesan Council that there be full, professional inspections of all the buildings of mission churches, the expenses (which have ranged anywhere from about \$500 to about \$3,600, and typically have been \$1-2,000) to be covered by small grants from the

Capital and Revolving Fund. The Committee assured Council that there was plenty of money in the Capital and Revolving Fund to pay for such inspections; given that mission churches rarely are able to afford to take out loans, the Fund has typically been less than half loaned out, and that seemed unlikely to change. The Committee also urged Council approval of this project because all of these buildings are owned by our Diocese and as such, our Diocese has both a moral and a legal obligation to attend to matters of safety and care of the people and clergy of these churches, which by definition have more limited financial resources than most Independent Parishes. A systematic inspection program would also mean that all needs would be examined and considered at once, instead of just those churches most aware of the diocesan processes or those with the most obvious problems being served first.

The Committee proposed and Council adopted a plan whereby small grants for the inspections would be “fast-tracked”: instead of each grant needing Council approval (as is otherwise always the case), the program was approved and the Board of Missions and diocesan staff could work with the congregations and professional building inspectors to implement the program, and the Committee would reimburse the costs of the inspections. While there have been a few urgent grant requests approved while this program was underway, the over-all intention was to have all of the mission churches’ buildings inspected, the reports analyzed and a systematic and strategic response developed to the needs which would then be evident. *This has now begun;* on January 21, 2009 Lee Powers, Canon to the Ordinary, and Deborah Crall, Assistant to the Canon to the Ordinary, submitted a substantial report to the Trustees of Church properties with summaries of the inspection reports from our mission churches. The Loan and Grant Committee thanks them both for their diligent and detailed work and looks forward to doing what the Committee can to help once the results are analyzed and a plan developed. Especially in this year of severely stretched parochial and diocesan financial resources due to the severe recession, it is crucial that the funds overseen by the Loan & Grant Committee be available to respond to urgent, safety-related repairs and other needs of our mission churches, through the grants program from the Capital & Revolving Fund.

In 2008, the Loan and Grant Committee met three times. The following proposals were sent onto Council or adopted as policy in 2008:

- On April 10, the Loan & Grant Committee endorsed a \$10,000 grant from the Capital & Revolving Fund to San Jose Church, Elizabeth, a mission of our Diocese, for emergency repairs to its roof. The application had been endorsed by the Board of Missions. Committee member Felix Estepa excused himself from the vote, as he is a member of that congregation.
- On June 12, the Committee endorsed a bridge loan for one year at no interest from the Capital & Revolving Fund of up to \$150,000 to St. Stephen’s Church, Beverly, due one year from the date of draw down, contingent on St. Stephen’s receiving the matching grant from the New Jersey Historic Trust for which it was applying and on the bond for financial officers of the parish be raised by \$150,000 before the loan is drawn down. It is anticipated that this loan would be drawn down in 2009.
- At the same meeting, the Committee endorsed a grant of \$6,800 for emergency repairs to the steps and landing outside one of the exit doors to St. Alban’s, New

Brunswick. The problem was in the professional inspector's report on the building. In the light of the then-impending leadership transition at the church, the Committee endorsed having the Diocese contract directly with the contractor. The grant to this mission church had been previously endorsed by the Board of Missions.

- At the same meeting, the Committee voted to have "the three most recent Parochial Reports" replace "the most recent Church Report data" on its application form (since our Diocese no longer subscribes to the Church Report data) and add to the requirements listed on its application form that "treasurers of all congregations must be bonded for the full financial assets of the applicant church, including any proposed loans." The Committee also heard an update on the church inspections program and on the status of loans, including two that were seriously in arrears.
- On December 10, the Committee endorsed a grant of \$5,800 from the Capital & Revolving Fund to Christo Rey, Trenton, to pay part of the cost of replacing a non-functional boiler. (The church had raised \$3,200 of the cost itself.) This grant was also endorsed by the Board of Missions. The Committee set as a condition that the church also have an energy audit, the cost of which would be reimbursed by a grant from the same fund.

We give thanks for the service of those members of the Loan & Grant Committee who resigned during the year for personal reasons: Ms. Janet Katz and Mr. Charles Nicholas. I give thanks for the other members of the Committee who served through the year: the Rev. Matthew Engleby, Mr. Felix Estepa, Mr. Edward Filipski, Mr. Jay Ham, Mr. Edward H. Higgins, Jr., Mr. John Holt, and the Rev. Philip H. Kasey, as well as yours truly.

Respectfully submitted,

(The Rev.) Francis A. Hubbard, Chair