



PAUL NEFF

GUIDELINES FOR A PASTORAL HOUSING ASSISTANCE PROGRAM

See below sample guidelines a Church may consider while developing its own Pastoral Housing Assistance Program.

ELIGIBILITY REQUIREMENTS

1. **Employment:** A candidate must be employed as a full-time Pastor (as defined in the Employee Manual) at *Named* Church. The Pastor's position must be a permanent position included within our general operating budget.
2. **Financing Alternatives:** Any other reasonable alternative source of housing assistance must first be pursued before requesting assistance from *Named* Church (such as family members, personal investments, lending sources, etc.).
3. **Home - Size and Location:** The following items will be considered in determining the reasonableness of the size and location of the proposed home acquisition:
 - a. The home should be located within the general communities in which *Named* Church serves.
 - b. The size of the home should be appropriate based on the Pastor's personal budget and family's needs.
 - c. The size of the Pastor's previous home.
4. **Purchase Price:** The following items will be considered in determining the reasonableness of the price range of the proposed home acquisition.
 - a. The annual income of the Pastor and spouse.
 - b. The amount of the down payment to be contributed by the Pastor - (5% minimum required). A minimum contribution to the down payment equaling 5% of the purchase price is recommended for the following reasons:
 - i. To encourage sound financial planning and savings to accomplish home ownership
 - ii. To remain consistent with the overall concept of "assisting" the Pastor in acquiring the home as compared to a "gift"

- iii. To insulate the Church from the cost of reselling the home at a future date. A 5% contribution from the Pastor would offset a significant portion of the future selling expense and would facilitate the return to *Named* Church of its entire financial contribution, without relying on the home's value appreciating
- c. The size and location of the home
- d. The amount of money available in the housing fund. No housing assistance can exceed the amount of money on deposit in the Housing Assistance Fund.
- e. The Pastor must be able to show the financial ability to meet all expenses required of homeownership.
- f. Full disclosure to the Board of Elders or designated subcommittee of any financial arrangement between a realtor and a pastor relating to real estate commissions is mandatory. If said financial arrangement is not mutually beneficial to both the Church and the pastor, the Church retains the right to choose another realtor.

FIRST MORTGAGE AMOUNT

The following items will be considered in determining an appropriate amount for the first mortgage:

1. Current underwriting requirements for local lenders providing competitive first mortgages.
2. The Pastor's debt ratio based on the proposed mortgage payment (principal and interest) should not be greater than 35% of the Pastor's (and spouse's) gross income.
3. The Pastor's overall debt ratio, including all installment debt, mortgage payment, real estate taxes, insurance and association dues should not exceed 45% of the Pastor's (and spouse's) gross income.
4. It is the Church's desire to utilize the Housing Fund to assist as many pastors as possible. Therefore, each Pastor should pursue the maximum loan for which they can reasonably and comfortably qualify. Thus, keeping the amount of housing assistance required to a reasonable level.
5. The above considerations may change at the discretion and approval of the Board of Elders or their appointed subcommittee.

AMOUNT OF HOUSING ASSISTANCE

The following will be considered in determining the appropriate amount of housing assistance:

1. The pastor's position, scope of responsibilities, contribution to the church's success, and length of service.
2. Assistance could be utilized to assist in hiring someone for a critical Pastoral role within the church staff as recommended by the Executive team or Elder Board.
3. The purchase price of the home
4. The Pastor's equity contribution
5. The amount of the first mortgage
6. The annual income of the Pastor and spouse
7. The availability of other housing assistance
8. The Pastor's budget and debt ratios. All loan processing and closing costs are to be paid by the Pastor.

APPROVAL PROCESS

1. Requests: The housing assistance process begins with a particular pastor or position being recommended by the Senior Lead Pastor, Executive Team or an Elder to the Executive Pastor. The Executive Pastor would then begin the process, in writing, with the Board of Elders. The pastor being recommended must be approved prior to the process beginning, by the Senior Lead Pastor. Conversations should not be had with individual pastors prior to the Senior Lead pastor and Board of Elder's approval for consideration. If the Senior Lead Pastor is not in favor of the recommendation, then the individual is not eligible at that time. The Executive Pastor will be responsible for all communication between the pastor and the Chairman of the Elder Board or designated subcommittee.
2. Approval: The following approvals are required in order for housing assistance to be granted:
 - a. The Senior Lead Pastor must endorse the recommendation for the pastor to receive the housing assistance, the approximate amount and recommend the application be considered by the Elder Board or responsible subcommittee. The Senior Lead Pastor, however, will not be responsible for determining the amount of assistance. Upon receiving the Senior Lead Pastor's endorsement, the formal request is then forwarded to the Elder Board.
 - b. Prior to signing the agreement, the pastor (and spouse) being recommended, must attend an interview with at least two Board of Elders or designated subcommittee members, to explain the

assistance program, review their budget and ensure they understand the financial considerations. It is recommended that they see an Equity Sharing Worksheet with their data included, at that time.

- c. The Elder Board or their designated subcommittee will review the request based on its compliance with *Named* Housing Assistance Policy. The Board of Elders will give final approval based on the recommendations of the subcommittee.
3. Submission Package: The formal submission to the Elder Board should include the following:
- a. A general description of the type and size of home the Pastor anticipates purchasing.
 - b. A general description of the area in which the Pastor desires to live.
 - c. The price range which the Pastor anticipates will accomplish a) and b) above.
 - d. An estimate of the amount of the first mortgage the Pastor believes for which they will qualify.
 - e. An estimate of the amount of down payment the Pastor anticipates investing. In addition, the source of the Pastor's portion of the down payment should be identified.
 - f. A range of the amount of housing assistance being requested.
 - g. Copy of Pastor's current personal financial statement
 - h. A description of other income earned by either the Pastor or the spouse (outside of that received from *Named* Church)
 - i. Personal Budget
 - j. A Pastor being considered may be asked to complete a financial stewardship course or "Life Light Financial" to better understand the financial obligations that homeownership brings. The Pastor should allow for 60 to 90 days from submission of their formal request in order to receive the Elder Board's recommendation. It is recommended that the Pastor not enter into any purchase agreement and not risk any deposit until he has received Board's endorsement and approval.

TERMS

1. Term: Five years with the Pastor having the option to extend, subject to the approval of the Elder Board or designated subcommittee for additional time, up to five years. We want to encourage the Pastor to eventually attain sole ownership of his or her home. However, the church

can approve an extension of the terms with a letter provided by the Board of Elders or appointed subcommittee.

2. Employment Termination: Should the Pastor's employment terminate with the Church; the housing assistance must be repaid in full within six months of his last date of employment. Should termination occur because of death or permanent disability, the time period in which the housing assistance shall be repaid will be extended to two years. The housing assistance is to be repaid in full upon the sale of the residence.
3. If a Pastor's family income decreases (due to spouse deciding to not work or additional family costs), it is the Pastor's responsibility to consider refinancing or consider the impact upon housing payments.
4. Shared Appreciation: The appraiser and appraisal must be approved by *Named* Church. Any appreciation (based on an appraisal or sale price) shall be shared proportionately between the Pastor and the Church based on the amount of their respective percentage of investment in the original purchase price of the home (Pastor is credited with the amount that is covered by the first mortgage, less any capital improvements costs invested by the Pastor and any transaction costs for sale of the property.) If, during the term of the loan, the property is refinanced or sold, the Church shall receive their respective portion of the monies originally invested in the form of down payment assistance, from the Net Sales Proceeds of the Property in excess of the principal amount of the Note outstanding at the time of such sale.
5. Documentation: See handout Promissory Note and Contingent Profit Agreement. All appropriate documentation will be duly prepared, executed and recorded, as necessary, and held in safekeeping by the Church's accounting office. Title insurance will be required insuring *Named* in a second lien position. The cost of said insurance shall be covered by the Pastor. The first lien holder will be made aware of the existence of *Named* housing support.
6. Additional Debt: No additional debt subordinate to the Church's lien will be permitted without the express written approval of the Elder Board.

FUNDING

1. Housing Assistance Fund: No approval shall be given for housing assistance that exceeds the then current balance in our Housing Assistance Fund.
2. General Budget: Based on the anticipated growth of *Named* Church and our Pastoral staff, it is important to continue to increase the size of our Housing Assistance Fund.

3. Requests for Funds: Any request for funding must be received by the Executive Pastor and Accounting Dept in writing from the Pastor ten business days prior to the date the funds are needed. The request should include the following:
 - a. The exact amount of funds needed.
 - b. The escrow numbers
 - c. Name and address of the escrow company
 - d. Date which the escrow company needs the funds.
 - e. Wiring instructions from the escrow company

When everything has been executed and is 100% ready to go, the *Named* accounting office will wire the amount to the escrow company. The deed of trust will be recorded after the entire acquisition and first mortgage transaction are completed.

REFINANCING

There will be an annual refinance review by the Pastor and subcommittee. The church, at any time, reserves the right to request the Pastor to refinance their first mortgage in order to repay as much of the church support as possible. If the Pastor is able to refinance and pay the church back, there will be no prepayment penalty because it is the Church's best interest to be repaid as soon as possible to free up funds to assist other Pastors and allow the Pastor to achieve full ownership and enjoy 100% of the property's appreciation.

The Pastor is encouraged to refinance should rates become more favorable or if the Pastor (or spouse's) salary increases and they can afford a different payment at that point. The following conditions must be met prior to the Pastor refinancing the first mortgage:

1. The Elder Board or subcommittee must approve the refinancing proposal and the final terms.
2. The Pastor must be able to show the financial capacity to handle the new payment in addition to the other costs of homeownership.
3. All costs related to the refinance shall be paid by the Pastor.
4. Any excess proceeds received from the refinance shall first be distributed to the Church to repay the housing assistance provided (including the amount of appreciation due to the Church, if any), and any excess would then be paid to the Pastor. An exception could be made if the Pastor is seeking reimbursement for monies expended for approved improvements.

IMPROVEMENTS

Significant additions shall be pre-approved by the Board of Elders (or the Finance Committee) if said improvements are to be included for the credit upon sale of the property. (For instance, money that is spent by the Pastor that improves the value of the home would be credited back upon the sale of the property, if pre-approved.) Proof of costs expended for said improvements should be retained until the property is sold. Fifty percent of the original cost of approved improvements will be included for credit upon sale of the property. This section does not apply to monies expended for the normal maintenance and repair expenses associated with homeownership.

SALE OF PROPERTY

The sale of a property shall be approved by the Board of Elders (or subcommittee). Proceeds from the sale will be applied in the following order.

1. First Trust Deed and all charges relating to the sale (closing costs and sales commission)
2. Reimburse equity contribution of the Church
3. Reimburse equity contribution of the Pastor
4. Reimburse Pastor for any principal paydown made on the First Trust Deed and/or costs associated with pre-approved improvements.
5. Profits shall be distributed in accordance with the shared appreciation paragraph described under the "TERMS" section above.