

## **§4250 DEPOSIT AND LOAN FUND**

*This policy is intended to give a general overview of the Diocese of Springfield in Illinois Deposit and Loan Fund and the procedures of the same. The Deposit and Loan Fund is formed and governed by its Indenture of Trust and Bylaws. Likewise, the relationship between the participants and the Deposit and Loan Fund is governed by a Participation Agreement. In the case of any perceived or actual conflict between this policy and the terms of the Indenture of Trust, Deposit and Loan Bylaws, or Participation Agreement, these three documents will take precedence over this policy.*

**4250.1. Policy** The purpose of the Deposit and Loan Fund, as a charitable trust, is for the Trustee to hold and manage the deposited assets of participants, to enable the Trustee to make loans of a portion of the Trust assets to participants, and to make contributions from the Trust Fund that are not obligated to the participants to 1) the Diocese and 2) other entities with the approval of the Bishop and that qualify as exempt under Section 501(c)(3) of the Internal Revenue Code, all in furtherance of the religious, educational and charitable purposes of the participants.

***Procedures:***

- a) The Trustee of the Deposit and Loan Fund is the Bishop of the Diocese of Springfield in Illinois.
- b) The Trustee may authorize the Vicar General of the Diocese to act on behalf of the trustee.
- c) Under and subject to the authority of the Trustee, the Finance Officer will have administrative responsibility for the general operation of the Trust.
- d) The Trustee may establish such committees as he determines will be beneficial for the management of the Trust, including an Investment Committee and a Loan Committee.

**4250.2. Policy** Pastors and other administrators shall invest all surplus funds in the Deposit and Loan Fund. *Fourth Diocesan Synod, 2017 Synodal Statutes, statute 155(b).*

***Procedures:***

- a) The surplus funds of a parish (funds in excess of those needed to operate for 90 days) are to be placed on deposit with the Deposit and Loan Fund. Excess funds are not to be deposited into a commercial savings account, certificate of deposit, money market account, or invested in securities.
- b) The deposit interest rate for participants changes periodically and is determined by the Trustee based on the review and recommendation of

the Deposit and Loan Committee. The Diocesan Office for Finances will provide the current rate to participants upon request. Interest is earned monthly and capitalized quarterly.

- c) Participants may have multiple accounts with the Deposit and Loan Fund if desired. For example, there may be an account for excess operating funds, a renovation savings account, a new organ account, etc.

**4250.3. Policy** The financing of parish debts must be done through the Deposit and Loan Fund unless the Diocesan Bishop determines otherwise in an individual case. C.f. *Fourth Diocesan Synod, 2017 Synodal Statutes*, statute 153.

**4250.4. Policy** Schools and Diocesan Agencies shall not borrow an amount of money from a person or entity other than the Deposit and Loan Fund without the written consent of the diocesan bishop.

**4250.5. Policy** The Deposit and Loan Fund may only make loans to organizations that are participants in the Fund, or which would be permitted to be participants in the Fund.

***Procedures:***

- a) A loan application, in a form developed by the Loan Committee and approved by the Trustee, shall be completed by participants applying for loans.
- b) The applicant will complete and submit all the forms and attachments required by the Deposit and Loan Fund. The request should generally also include a copy of the proposed promissory note, parish loan acknowledgment agreement, or similar form, and a copy of the mortgage or security agreement, if any.
- c) The participant must present its request in writing stating in detail and should include, at a minimum the following detail: i) the amount to be borrowed, ii.) the reason for the loan, iii.) the identity of the lender, i.e. the Deposit and Loan Fund, iv.) the collateral or security offered for the loan, v.) the amount of the entity's total indebtedness from any source, vi.) whether the participant is in debt to the diocese for tithe or benefits payments, and amounts thereof; vii.) a list of any outstanding, forgiven, or defaulted loans; viii.) whether the entity is in full compliance with the Office for Dafe Environment's child safety requirements; and ix.) any other relevant information.
- d) All loan applications will be reviewed by the Deposit and Loan Committee in accordance with standards and criteria for making loans,

which shall be developed by the Deposit and Loan Committee and require the approval of the Trustee.

- e) All loans from the Trust must have final approval from the Diocesan Bishop.
- f) The purpose of making loans from the Trust to participants is to enhance the religious and charitable purposes of the participants. In evaluating loan applications, the Trustee has an obligation to afford reasonable protection to the participants who have funds on deposit.
- g) Interest rates, terms, and guidelines for loans shall be developed by the Deposit and Loan Committee and require approval by the Trustee. The Diocesan Office for Financial Services will provide the current rate to participants during their application stage.
- h) All loans from the Trust shall be evidenced by written instruments setting forth the relevant terms and conditions. When a loan is made it will be evidenced by a promissory note signed by the pastor or administrator. The promissory note will show the loan amount, term of the loan, and the interest rate.
- i) For new construction, loans can be made by the diocese for up to 50% of the cost of the project, including soft costs and furnishings. A borrowing participant must have 50% of the project cost on deposit with the Deposit and Loan Fund and pledges in place for the remaining 50% of the project before a loan will be made and construction can begin.
- j) A schedule of payments will be provided at the time the loan is established. When payments are made interest will be paid first, with the balance of the payment being applied to the principal. Loan payments should be accompanied by a Deposit & Loan Transaction slip.

<p><b>4250.6. Policy</b> A Parish, School, or Agency shall not lend money to an individual or entity.</p>
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***Procedures:***

- a) Exemptions must be applied for through the Vicar General and must be approved by the Diocesan Bishop.