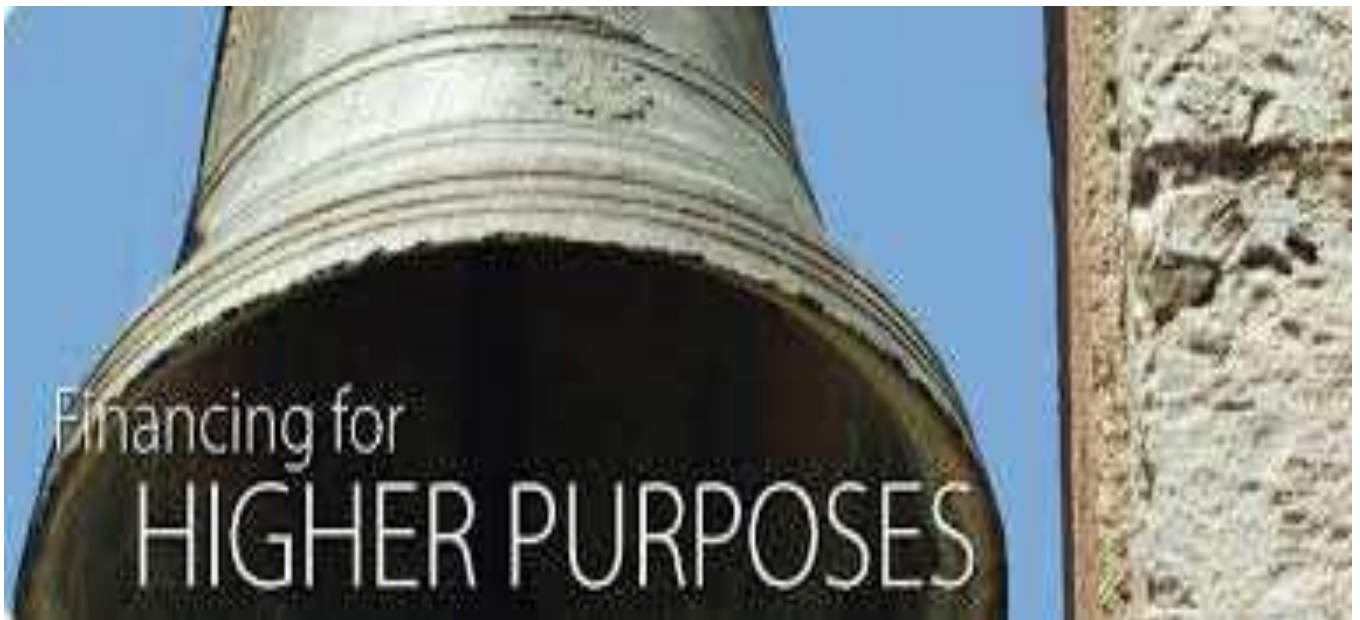


7 Questions That Must Be Answered In Putting Together Your Church Loan Application



By

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Lenard Myers is a 1971 graduate of Norfolk State University with a BS Degree in Accounting. Lenard has been a Certified Public Accountant since 1978 and has owned his own firm since 1980. He has served on numerous community and city boards.

As the Controller for Scope Coliseum and Chrysler Hall, Lenard was the youngest minority in the country responsible for the financial operations of a major coliseum, concert hall, and football and baseball stadium. He served as the Senior Accountant and Internal Management Auditor for the City of Norfolk.

Lenard Myers was the owner and operator of the Minority Business Development Centers for the United States Department of Commerce, MBDA for the State of Virginia for five years.

He is recognized locally, regionally and nationally for the outstanding services he has rendered. Some of the awards he has received are:

1. He is the recipient of the United States Department of Commerce, MBDA award "Best Consultant in the Mid-Atlantic Region".
2. He is the recipient of the Virginia General Assembly Resolution Award 198 for providing outstanding services to businesses in Virginia. He was recognized for the development of over \$100,000,000 in new business.
3. He has been recognized by the American Institute of Certified Public Accountants as one of the top 60 CPA heroes, out of a survey of 320,000 CPAs. Lenard was recognized for helping his clients receive over \$650,000,000 in contracts, over \$250,000,000 in financing and servicing over 600 clients.

Introduction



Our programs have been designed so that your loan request is processed smoothly and without delay. I have had millions of dollars approved for my clients.

You've got vision. Now you need funding. The question is, how much can you afford to borrow?

God has blessed your church family with many, many gifts. You have been good stewards of those blessings. Now you are ready to expand or refinance your debt.

However, the world isn't the same as it used to be. Growth is expensive and requires you to have good financial partners who will help to guide you through the challenges of that growth.

I want to share with you some important points you will need to consider as you prepare to request a loan from a financial institution.

I have worked with many different denominations and in cities with varying economic circumstances. **There is always a common thread among church loans that are successfully approved: preparation.**

You will find out that I am a pretty open person and I intend to be very candid about what a lender is truly evaluating. There should really be no secrets between the lender and the church as you go through this process together. As the borrower, you need

to fully understand what your lender is weighing in their decision.

Let's get started...

When I talk with a pastor about a new project, I try to understand the vision before I offer much information in the way of counsel. The more I know about the vision, objectives, and resources, the more I am able to offer financial direction and recommendations.

To provide the pastor with a number without having a complete understanding of these three—vision, objectives, and resources—is not providing a service to the pastor or the church.

Here are a few of the questions I ask as we collaborate on a financing need:

1. How does the project play a part in the church's vision?
2. How much money do you reasonably need for your project?
3. How financially strong is the church?
4. What is the church's annual gross and net income?
5. Is there any present debt?
6. How much cash on-hand will the church have to contribute for the project?
7. What is a reasonable timeline for the project (start to finish)?

Based on the discussion up to this point, I can give them an unofficial estimate of what they can reasonably afford, with the understanding that we need to go through a complete review of the church financials and project to provide a concrete number.

We also want to assist the pastor and board in understanding how important it is to have a manageable mortgage. Debt can be

an awesome tool for vision but also a millstone if improperly used. It's so important that a loan amount stays within the church's existing operating budget and cash flow.

Here is a checklist of key factors and ratios we look at to determine if the time is right for a church to borrow:

1. Three years of financial statements, including income/expense statements and balance sheets
2. An annual (balanced) budget
3. Positive trends in attendance and income over the past three years
4. Positive operating margins each year
5. Approximate cash reserves equal to at least one to three months of fixed operating expenses
6. Strong missions giving (at least 10% of total giving)
7. Personnel costs (salaries, housing allowances and benefits) less than 45% of total income, preferably at 33%
8. Annual debt service less than 33% of general (unrestricted and undesignated) income
9. Annual debt service plus personnel costs not more than 65% of income.
10. Loan to value ratio of not more than 75%
11. Excellent payment history on existing/previous loans
12. Lead pastor tenure of at least 12 months

Documentation

Making a commitment to borrow funds requires some documentation to be gathered for review by your board and your lender. You will need to have your church's Articles and By-laws available to include with your loan request.

Because board members and signers often change for a church, it is a good idea to provide documentation showing who

exactly can make the decision to borrow and that the church board has approved the church to make a borrowing request.

Having this documentation up-front will show your lender that you are organized, prepared and that the process to put loan documents together will be smooth.

Church Family History

Be ready to tell your story. A powerful component to your request is being able to show the financial institution your church's vision for your future. Provide a history of your church and include information about the church leadership and pastor.

Discuss in your summary of the church the future growth plans in detail. Explain why you feel you will grow, what audience you are targeting in your growth efforts, the tools you are using to reach them and what success or trends you have so far. In essence, you want your lender to want to join your church. Share your passion.

Financials

Presenting finances that have an accountant's credibility behind them will give you a tremendous boost in the eyes of your lender.

No matter what bank or financial institution you work with, they are going to want to see your church's financial history.

Many times the way a church handles their financials today is the same as it was when the church began 10 or 15 or sometimes even 40 years ago. When you started your church and there were only a few members, your accounting system was simple and easy to explain to the membership and the board.

When you ask a bank to decipher your "system," it can limit the number of financial institutions willing to consider your request.

I prefer to prepare the financials from the church before they have started a conversation with the lender. This will avoid any misinterpretations or misunderstandings with the lender.

My first recommendation is for us to do a full review of your finances BEFORE you make your request for financing to any lender.

Any church with an annual budget of more than \$350,000 should consider getting a professional involved on an annual basis.

Summary

Our programs have been designed so that your loan request go smoothly without delay. I have had millions of dollars approved for my clients.

Call Lenard Myers, CPA today to set an appointment that will answer all of your questions and point out different opportunities you may not have thought of.

We firmly believe that with a conservative plan you and your church can get have the funds you need.

If I can help you in any way call or text me or Mr. Boyce at (757) 655- 1128 or (757)-567-6700



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