

What Can My Church Do to Qualify for the Best Loan?

Prior to beginning the loan application process, it is important for pastors and church boards to understand the factors considered by lenders when evaluating a church loan. Although specific underwriting criteria vary, it is fair to say that most lenders evaluate church borrowers on three broad areas of performance. These are known as the three C's of underwriting: character, cash flow, and collateral.

Most lenders place considerable emphasis on assessing the overall character of the borrower. Specifically, will the church honor its commitment to repay the loan? In evaluating this measure, lenders look for a long history of operations, a good credit history, and strong, committed church leadership.

The second focus is on cash flow. Lenders want to see a track record of positive income and attendance trends as well as a positive operating margin (revenues in excess of operating expenses). Flat or declining attendance or income can be a concern and operating losses mean that it may be difficult for the church to absorb a monthly mortgage payment within its budget.

Finally, lenders need to know that the amount of collateral (real property such as land and buildings that will secure the loan) is sufficient to repay the loaned funds in the unlikely event of default.

Churches interested in securing a loan with favorable rates and terms should be prepared to demonstrate strong performance in each of these three areas.

Randy Smith
VP, North Central Region
AG Financial Loan Solutions
rsmith@agfinancial.org