



Banks are lending: Why now is a good time to secure financing

The media is full of stories about how tight credit has been for the last year or so, and how banks are just not lending. Against the backdrop of one of the most difficult years in recent history, many churches have put expansion plans on hold partly because of concerns about affordability when tithes and offerings may have declined, but also because they fear they won't find a loan with reasonable rates and terms.

Some churches are not even thinking about refinancing their existing debt because they believe they have a good rate or because they don't believe they will find a better option. The fact is that well managed churches looking to refinance or take on prudent levels of debt can find strong, qualified lenders offering loans with excellent rates and terms. Some long established, dedicated church lenders have continued to do business as usual throughout this crisis.

Prudent lending policies

How is it that some lenders have seemingly escaped the credit crisis? One reason is that they did not stray from prudent lending policies even when everyone else in the market was stretching underwriting guidelines and over-lending.

Others were seduced by the prospect of growing their portfolios at a previously unprecedented rate. Suddenly it seemed that underwriting based on expectations of future growth was

a matter of faith rather than a question of sound underwriting. Many of those lenders must now realize the great disservice they did to the religious community as a larger and larger percentage of their loan portfolios fall into delinquency or even foreclosure.

The rules of good lending and prudent debt levels have not changed. There is, and always will be, a need for credit so that churches can expand facilities to accommodate growth in a timely fashion. Contrary to what seems to be popular belief, now is an excellent time to borrow for refinance, acquisition or for construction of new facilities. The average rate for a five-year Treasury note over the last 10 years is 3.92 percent. Today, the five-year Treasury note rate is only 2.3 percent. Rates at all maturities are near historical lows.

Financing debt

What is even more compelling is the recognition that rates will soon be moving higher. We can't predict if they will start rising next month, next quarter or next year; but the unprecedented level of national debt and continuing government spending can only result in higher interest rates down the road. The message to church business administrators, board members and pastors is to consider refinancing debt now.

It is very likely that you can lock in a new long-term fixed rate that is similar to what you have now or even lower, and protect

the church from refinancing in a few years at much higher rates. Some lenders even offer 10 year fixed rates.

For churches that have been considering an expansion project, an experienced and prudent church lender can be a resource to you. They can help you determine what level of debt is appropriate for your church and this will drive how large a project you can undertake. Don't make the mistake of designing the project before you know what you can afford. A good lender will help you understand that decisions regarding debt levels should be based on your actual performance rather than reliance on future growth.

Starting a new building project now may be even more of an act of faith than at any other time, but when larger facilities are needed and when the church can afford to build, don't delay out of fear or misconceptions about the lending environment.

There are strong, stable, reputable lenders with capital to lend to qualified borrowers. Credit standards (for prudent lenders) have not changed. Interest rates and terms (from reputable lenders) are better than ever. Now is an excellent time to refinance or expand the Kingdom.

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