



Church Extension Fund

Greeting from Church Extension Fund!

Thank you for your inquiry regarding a housing loan from **CEF**.

Enclosed you will find:

1. **Housing Loan Information Sheet** detailing such matters as borrowing limits, terms offered, eligibility and application procedures.
2. **Loan Closing Information**, providing important information on closing a housing loan transaction with CEF. We suggest that you give a copy of this to your Realtor, attorney or whomever is "in charge" of the closing of your purchase transaction.
3. **Housing Loan Frequently Asked Questions**, to further help with understanding the housing loan process.

Again, thank you for considering the Church Extension Fund to meet your housing needs. Your partnership with CEF helps build churches, schools, and other ministries.

If you have questions please call our office toll-free, 800-242-3944.

In His Service,


James R. Saalfeld
Chief Executive Officer

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HOUSING LOAN INFORMATION

BORROWING LIMITS

Church Extension Fund will loan up to 85% of the purchase price as a housing loan. The remainder of the purchase price (15% or a portion thereof) may be financed as a down payment assistance loan. In the case of a refinance, CEF will lend up to 85% of the appraised value.

LOAN STRUCTURE

Church Extension Fund housing loans may only be made to a church or church-related entity. Housing loans are therefore structured in the following manner:

- 1) The worker (and spouse) purchase the property and take title in their name(s).
- 2) The worker (and spouse) sign a Promissory Note with the church or other church-related entity, together with a Real Estate Mortgage securing the indebtedness.
- 3) The church or other borrowing entity signs a Promissory Note with Church Extension Fund that contains the same dollar amount, rate and terms in #2 above. The church or other borrowing entity also signs and gives Church Extension Fund an Assignment of Mortgage thereby securing the above Promissory Note.

All of the documents referred to above are prepared by the Church Extension Fund office and forwarded to the closing for a simultaneous transaction. The chart below describes the procedure.



Each month the worker makes payment to the congregation who, in turn, makes a payment to the Church Extension Fund - or the congregation may withhold the payment amount from the worker's salary, and forward the payment to CEF.

TERMS OFFERED

Housing loans may be amortized (the payment computed) up to 30 years to help make the payment fit the worker's household budget. Housing loans are written for a term of either 3, 5 or 15 years. Down payment assistance loans may be amortized up to 20 years, with a 5-year term.

OPTIONS AT MATURITY

Presuming the payment history has been as agreed, the loan is generally extended for another term at the prevailing interest rate and term offered at that time. The monthly payment usually remains the same unless a different amortization is requested at maturity. There is no penalty for prepayment.

ELIGIBILITY

Those persons who are called, contracted or employed by a congregation, the Michigan District, or other recognized service organization of the Michigan District.

CLOSING COSTS

Church Extension Fund does not charge any fees for a non-construction housing loan. There are no points, origination fees, processing fees, etc. The only closing costs are the third party "out-of-pocket" expenses such as title insurance, recording fees, survey, title company closing fee, property tax pro-rations, etc. Church Extension Fund does require a comparative market analysis completed by a Realtor on all purchase transactions. An appraisal by a state-certified appraiser is required on refinance transactions. *It is generally understood that the church worker will be responsible for the payment of any fees incurred as a result of the loan.*

CONSTRUCTION LOANS

A licensed contractor must procure the building permit, be actively involved in the supervision of the project and be responsible for the presentation of properly executed sworn statements & lien waivers. Loan proceeds are disbursed as the project progresses. The loan terms are structured to call for monthly interest-only payments on the funds disbursed during construction; regular monthly payments of principal and interest commence when the house is completed and an occupancy permit has been issued. Church Extension Fund does collect a \$250.00 fee on new construction home loans.

REFINANCING

Church Extension Fund will lend up to 85% of the fair market value of a house based upon an appraisal completed by a state-certified appraiser. The loan proceeds may be used to pay off another lender, remodel and/or improve the property or simply to pledge the property as collateral to retrieve equity. CEF must hold the first lien position on the worker's residence.

TURN AROUND TIME

Housing loans are usually approved by our office within a day or two after all application documentation is received. Generally in a purchase transaction, we prepare the loan documents, forward them, and wire loan proceeds to your local title insurance company responsible for the closing. Typically, at least 3 weeks should be allowed between approval and closing.

INTEREST RATES

Church Extension Fund sets housing rates monthly. Call 800-242-3944 Monday through Friday from 8:30 a.m. - 5:00 p.m. for current rates.

APPLICATION PROCEDURES

1. Original housing loan application must be completed and submitted to the Church Extension Fund office. A fax is acceptable initially to get the process started, but we do require originals for our file.
2. The application must be accompanied by:
 - a. A copy of the Purchase Agreement.
 - b. A copy of the appraisal or comparative market analysis. Either must be dated within 90 days of the purchase agreement date.
 - c. A copy of the congregation's Constitution and Bylaws (most recent revision).
 - d. Certification, by the elected Secretary of the congregation, of the Resolution to Borrow.
3. If the seller (or Realtor) requires a letter of commitment from the lender (Church Extension Fund), our office will issue such a letter to the borrower when the loan has been approved.

PRE-APPROVAL LETTERS

Sometimes a pre-approval letter is advantageous when shopping for or making an offer on a property. CEF will issue a pre-approval letter stating the maximum amount we will lend based upon the worker's (and spouse's) income. A simple pre-approval application form is available by calling our office or from our website.

LOAN CLOSING INFORMATION - HOUSING

A. PROPERTY OWNERSHIP & LOAN STRUCTURE

1. The purchaser(s) will take title to the property via a Warranty Deed from the seller.
2. The purchaser(s) will execute a Promissory Note and Mortgage to the congregation.
3. The congregation will execute a Promissory Note and Assignment of Mortgage to the Church Extension Fund. The Promissory Note between the congregation and Church Extension Fund will be for the same dollar amount, interest rate, monthly payment, etc. as in #2 above.

B. CONDITIONS REQUIRED TO CLOSE

1. The purchaser's Realtor (or whomever is in charge of the closing) should be informed that Church Extension Fund will be the ultimate lender in this transaction. It is suggested that our name and telephone number be given to the closer (and a copy of this information sheet), so we may coordinate the closing documents with them.
2. A commitment for a Mortgage Title Insurance loan policy should be ordered/coordinated showing "**(legal name) Lutheran Church, its successors and/or assigns**" as the proposed insured. A copy of said commitment should be forwarded to our office as soon as it becomes available.
3. On purchase transactions, a "mortgage inspection" survey should be ordered/coordinated with a copy of same being forwarded to the title company as well as to our office. The cost of the survey is generally an expense of the purchaser.
4. Prior to closing, homeowners insurance must be procured by the worker (fire and extended coverage), which shows **Church Extension Fund** as the **mortgagee**, and the **congregation** should be listed as an **additional insured party**. Proof of said insurance must be furnished to this office prior to closing.

C. CLOSING PROCEDURES

1. As a general rule, Church Extension Fund coordinates the closing date and time with the title company (or agency) responsible for the closing. Upon 3-4 days notice, Church Extension Fund will prepare our closing documents and forward them, together with the loan proceeds, to the closer in anticipation of the closing date.
2. The appropriate officers who are authorized to sign loan documents on behalf of the congregation (as defined by the Constitution and Bylaws of the congregation **and** as certified by the elected Secretary of the congregation in the Borrowing Resolution) should be prepared to attend the closing to sign the loan documents.
3. The original Resolution to Borrow, signed by the elected congregation Secretary, must be submitted to the Church Extension Fund office prior to closing.

D. AFTER THE CLOSING

1. The title company (or closing agent) will promptly forward to Church Extension Fund:
 - a copy of the executed Deed
 - the original executed Note between the purchaser and the congregation
 - a copy of the executed Mortgage
 - the original executed Note between the congregation and Church Extension Fund
 - a copy of the Assignment of Mortgage
 - a copy of the Closing Statement
2. The title company (or closer) will:
 - record the Deed, the Mortgage and the Assignment of Mortgage
 - send the recorded Mortgage and the recorded Assignment of Mortgage to the Church Extension Fund office
 - forward the recorded Deed to the purchaser

Church Extension Fund

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Church Extension Fund

CEF Housing Loan Program FAQ's

- **How does CEF's program work?** CEF is a non-profit entity that has been in existence since 1901. As the financing arm of the LCMS Michigan District, our structure is similar to other financial institutions - including offering housing loans to LCMS ministry workers. However, because we are also a ministry that primarily serves churches, schools and ministries, certain regulations apply to CEF. One of these is that CEF cannot lend directly to individuals. CEF's unique and simple housing program is set up to lend the funds needed to buy a home to the congregation or ministry that is the worker's employer, who then lends that sum directly to the ministry worker. Our office coordinates and prepares all the documents to make this happen. It does not take any extra time compared to the traditional mortgage process. You simply need to speak with your congregation/ministry to make sure they are willing to participate in CEF's program. Most Michigan District congregations have participated in this program in the past with great success. Except for this one nuance, everything else follows the standard mortgage loan process.
- **How much home can I afford?** CEF's Housing Loan Program uses a ratio to calculate the maximum loan total. This figure consists of the projected principal and interest housing payment + property taxes + homeowner's insurance divided by total household income. This ratio should be at 28% (or less) for a prospective home to be deemed affordable. As a further test, you may want to consider your total debt-to-income ratio. This includes the housing figures stated above, as well as any vehicle loans, credit card debt, student loans, etc. It would not include utility bills, charity donations, tuition payments, etc. Typically, the total debt-to-income ratio should not exceed 36%.
- **Can I be pre-qualified for a home loan?** Yes. CEF has a Pre-Approval Housing Loan form that can be requested by calling 800-242-3944 or printed from our website (www.mi-cef.org/loans). It must be completed and signed by an officer of the employing congregation or ministry and sent to our office for review. It is common practice today for Real Estate Agents to require that a home buyer be "pre-qualified" before submitting an offer to purchase. Please remember that pre-qualification is simply an initial determination of the amount of loan you may be able to afford. It is not an actual application for a loan to purchase a particular property. Please see the bottom of the pre-approval form for a list of additional items needed.

- **Should I have the home I want to buy inspected by a professional inspector?** This is a personal choice. While CEF does not require an inspection, it is highly recommended. Money spent on an inspection is usually money well spent. It can alert you to existing or potential problems that could cost you thousands of dollars in the future (e.g., furnace, plumbing, electrical, foundation, etc.). An inspection report can provide peace of mind, make you aware of what you may be facing in improvement costs, or even serve as a “bartering tool” with the seller to get a lower purchase price.
- **Do I need a home warranty?** This is an individual preference. Warranties, which usually cost hundreds of dollars for a one-year period, provide coverage against the malfunction of some major household components. Items to consider in making this decision include the age of the home, prior care and maintenance, and the current working order of the main operating systems.
- **Does CEF offer escrow accounts?** No. As the ministry worker, you are responsible for the direct and timely payment of property taxes and homeowner’s insurance. Instead of an escrow account, CEF recommends that you establish an Extension Plus account with CEF wherein you can deposit money monthly, earn interest, and pay your taxes from this account!
- **When do I start paying property taxes?** You begin paying property taxes on the day you “close” on the property (date of purchase). Typically, the title company prorates taxes between you and the seller, and these figures will be reflected on the final closing statement. The Purchase Agreement you signed to buy a home likely contains language about the proration of taxes. While you should check with your local taxing authority, most times there is a Summer tax bill and a Winter tax bill for which you will be responsible every year. Delinquent taxes jeopardize the ownership of your property as failure to pay property taxes could result in your property being sold at a public tax sale. It is very important to remain current with your tax payments!
- **How do I make sure that I am paying the lowest property taxes possible?** At closing, you will sign a Principal Residence Exemption (PRE) Affidavit. To qualify for a homestead exemption, the original PRE Affidavit must be filed by you (or the closing agent) with the City/Township Assessor where the property is located.
- **How do I obtain homeowner’s insurance?** You may shop for and obtain homeowner’s insurance from any insurance agency you choose. CEF must be listed as First Mortgagee on the insurance policy, with your employer or congregation listed as Second Mortgagee. The insured dwelling coverage must cover the total loan amount, or the insurance must state that there is guaranteed replacement cost coverage. If you are purchasing an attached condominium, the insurance for the dwelling should come from the condominium association and typically covers only the exterior components of your unit. As such, you would purchase coverage for the interior of your unit as well as for the personal contents.

- **Who pays the Realtor commission?** The language in your Purchase Agreement will likely spell this out. Carefully read that document (or ask your Real Estate Agent) to verify who pays this cost for your particular transaction. As a matter of practice, the seller is typically responsible for payment of the Realtor commission. It is not uncommon for a buyer to be charged an administrative processing fee or similar fee by your Buying Agent.
- **Who needs to be present at closing?** You, your spouse, and the appointed representative(s) of the congregation/ministry per the borrowing resolution authorizing the CEF loan.
- **What should I bring to closing?** Unless otherwise stated by the closing agent/title company, you should bring your driver's license, proof of homeowner's insurance and "liquid funds" to cover all closing costs. This may be in the form of a cashier's check or a wire to the title company.
- **How will I know how much money to bring to closing?** Our office will contact you as soon as we receive and review the final closing/settlement statement from the title company. Please wait for this final figure before obtaining a cashier's check. Preliminary figures may not include all applicable fees. The final closing figure is usually available 1-2 days prior to closing.
- **What are the typical closing costs?** This will be set forth by the title company and will follow what was agreed to in the Purchase Agreement. The Seller typically is responsible for the Realtors commission, the Owner's Title Insurance Policy premium, Transfer Tax and preparation of a Warranty Deed. The Buyer generally pays for a Mortgage Title Insurance Policy, a survey of the property, and fees to record the Deed and Mortgage documents. In most cases, CEF does not require an appraisal of the property. CEF does not charge any processing fees, points or other costs.
- **Do I make my monthly payments to Church Extension Fund?** No. CEF cannot accept payment directly from you, the ministry worker. Personal checks will be returned. Payment to CEF must come from your employer (see first question). You should establish an arrangement with your congregation or ministry to make your monthly housing payment (e.g., via payroll deduction or direct payment to your employer).
- **How will I get my year-end tax information?** A Form 1098 should be completed by the congregation/ministry and mailed to you by January 31st of each year. CEF will note the previous year's interest paid figure with the January loan statement.
- **What if I am no longer employed by the same congregation?** Because you need to be employed by your congregation/ministry to use the CEF Housing Loan Program, you would need to do one of the following. If you are moving, the sale proceeds are used to pay off the total housing loan (and down payment or home equity loan if any). If you remain at the same residence, you will need to refinance your housing loan with another lender. If you are to be employed by another Michigan District LCMS congregation or ministry, it is possible to "transfer" the housing loan to the other entity (assuming you are not selling your residence). Please talk to your employer and CEF about these options so that your plans are known and there is sufficient time to payoff/refinance/transfer the housing loan.