

Lutheran Church of Australia

Loans from The Lutheran Laypeople's League of Australia Inc.

1 Preamble

- 1.1 The Lutheran Laypeople's League of Australia Incorporated (hereinafter referred to as 'the League'), has in its constitution that the purpose of the League shall be 'to provide aid to the Lutheran Church of Australia Inc. (hereinafter referred to as 'the Church'), in business and financial matters';
- 1.2 The prime source of funds available for loans by the League to entities within the Church is depositors' funds. The Board of the League has constitutional responsibility to ensure that these funds are at all times properly managed, safeguarded and not placed at any unreasonable risk of loss. Therefore, loan rules of the Church must support the Board of the League in safeguarding its funds.
- 1.3 The following rules have been drawn up as a result of consultation between the Board of the League and the General Church Council of the Church.

2 Purpose of Loans

- 2.1 The purpose of loans provided by the League shall be to provide finance for the provision of resources to aid the ongoing mission of the Church.

3 Loan repayment responsibility

- 3.1 In the first instance the borrower is responsible for repaying the loan.
- 3.2 If the borrower defaults, then it is the responsibility of the respective District of the Church, subject to the District having provided the guarantee, to ensure that repayments are made in accord with agreements made when the loans were approved.
- 3.3 If the District in its own right is unable to make arrangements for the loan to be repaid, then a written application for assistance shall be submitted by the District to the General Church Council. The final responsibility, in the case of both District-based and national church loans, for ensuring that the loan is repaid to the League rests with the General Church Council.

4 Loan Management Committee

- 4.1 The General Church Council of the Church shall appoint a Loan Management Committee consisting of six [6] members:
 - 4.1.1 three [3] members nominated by the General Church Council;
 - 4.1.2 three [3] members nominated by the League; and
 - 4.1.3 the President of the Church or his appointee shall be an ex officio member.The Chairperson shall be appointed by the General Church Council.
- 4.2 Members shall be elected for a term of six [6] years with two [2] members (one nominated by the General Church Council and one nominated by the League) retiring each two years with retiring members being eligible for reappointment.
- 4.3 The duties of the Loan Management Committee shall be to

- 4.3.1 consider, assess and approve loan applications in accord with the rules as determined by the Church;
 - 4.3.2 monitor all loan movements to ensure that all borrowers are adhering to their loan repayment agreements;
 - 4.3.3 ensure that each District Church Council receives periodic reports on loan movements for all borrowers under its jurisdiction;
 - 4.3.4 require the District Church Councils, and where appropriate the General Church Council, to report on borrowers that have not adhered to their loan repayment agreements;
 - 4.3.5 ensure that District Church Councils take appropriate action in resolving, to the satisfaction of the Loan Management Committee, the difficulties of borrowers that have not adhered to their loan repayment agreements so that loans are repaid in an appropriate time;
 - 4.3.6 attend to any other matters and take any other action that may be necessary from time to time;
 - 4.3.7 determine whether, and if so, what level and what form of security shall be provided to the League for the loan; and
 - 4.3.8 ensure that all documentation is properly finalised prior to an approved loan being drawn down.
- 4.4 The League shall provide administrative assistance to the Loan Management Committee.

5 General Rules and Procedures

- 5.1 Applications for loans from the League may be made by
 - 5.1.1 congregations, parishes, committees, institutions, boards and auxiliaries of the Church or of a District of the Church; or
 - 5.1.2 the Church or a District of the Church.
- 5.2 The general policy regarding the approval and ongoing management of loans shall be determined by the General Church Council in consultation with the League.
- 5.3 Applications shall be made on the form required by the Loan Management Committee and shall be submitted to the respective District Church Council through its relevant department, or the General Church Council. The relevant Church Council shall consider the information provided with the application and, having satisfied itself that all the conditions set out in this document, or as amended from time to time, have been met, may endorse the application. In the event that the relevant Church Council endorses the loan under conditions that varied from the original application, the relevant Church Council must inform and seek agreement from the applicant for such changes. Once the documentation is complete, the relevant Church Council shall forward the application with its endorsement, to the Chief Executive Officer of the League.
- 5.4 The relevant Church Council shall advise the applicant of its endorsement of the application.
- 5.5 Applications shall be collated by the Chief Executive Officer of the League for presentation to and consideration by the Loan Management Committee.
- 5.6 The Loan Management Committee shall ensure that all the criteria have been satisfied and all conditions have been met.

- 5.7 In carrying out its duties, the Loan Management Committee may at the cost to the applicant
- 5.7.1 request whatever information and documentation it deems necessary to satisfy itself as to the affordability and viability of projects presented in applications for funding by the Church through the League; and
 - 5.7.2 engage external expertise through consultancies or similar in the event that it believes such input is necessary to effectively analyse submissions or information submitted in relation to any project for which loan support is being sought.
- 5.8 The outcome of the application will be advised by the Loan Management Committee.
- 5.9 The Chief Executive Officer of the League shall report, if required, to each regular meeting of the Loan Management Committee on the level of available funds, taking into account the League's policy on the amount to be withheld for reserves.
- 5.10 The Loan Management Committee shall determine priorities for funding loans and in doing so, may seek the advice of the General Church Council.
- 5.11 Applications for access to the Board for Lutheran Schools Special Loan facility shall follow the same procedure as for a normal League loan.
- 5.12 Projects for which an application is lodged shall not proceed until notification of the result of the application is advised by the Loan Management Committee.
- 5.13 These General Rules and Procedures may be varied from time to time by the General Church Council, having first consulted with the League.

6 Conditions

- 6.1 The following conditions shall apply to all applications:
- 6.1.1 All loans must be fully matched with League deposits for the duration of the loan. It is the responsibility of the borrower to promote and raise the necessary matching deposits. The borrower may consult with the League in regard to the raising of matching deposits. Any diversion from this policy shall require the approval of the General Church Council.
 - 6.1.2 The maximum borrowings for any new project shall not exceed 80% of the written down value of the property assets (land and building improvements) of the borrower plus the value of the proposed project. This is to ensure that the borrower has at least 20% equity to undergird the project. Any project which is deemed a 'greenfields' mission project and is supported by a formal resolution of, and guarantee from, the relevant District of the Church and formally approved by the General Church Council, shall still be subject to an independent external assessment, but will not be required to meet the 20% equity provision.
 - 6.1.3 The Loan Management Committee shall have the right at any time to require a borrower to provide a first mortgage or other appropriate security to the Church, to secure a loan.
 - 6.1.4 Submission of the application by the applicant body shall be supported by a declaration of the resolution adopted at a duly constituted meeting of the body concerned.

- 6.1.5 Endorsement by the relevant District Church Council shall include a guarantee of repayment and shall indemnify the League against any loss in the event of default by the borrower.
- 6.1.6 Applicants will need to demonstrate their ability to repay the loans on terms as determined by the General Church Council from time to time. Loan repayments shall be quarterly or more frequently and within the useful life of the asset.
- 6.1.7 All prospective applicants as defined in Clause 5.1 of the General Rules and Procedures above shall deposit funds with the League. Previous and/or current support of League deposits and the existence of commercial investments will be taken into account when considering approval of applications.
- 6.1.8 Audited financial statements for at least the two [2] years prior to the date of the loan application, and budget projections or a business plan for at least the following three [3] years, shall be submitted with all applications. At any time during the term of the loan, the Loan Management Committee may request from the borrowing body a copy of the audited financial statements (carried out by an auditor with appropriate qualifications) together with a copy of the auditor's report, and borrowers shall provide that information immediately when requested.
- 6.1.9 Applicants must demonstrate that the extra financial commitment to repayment of the loan will not be detrimental to their Synodical financial support.
- 6.1.10 These conditions may be varied from time to time by the Loan Management Committee, having first consulted with the League.

7 Procedures – Loan Management Committee

- 7.1 The Loan Management Committee shall
 - 7.1.1 meet at any time as required to consider loan applications for approval or any other action as determined to be appropriate;
 - 7.1.2 satisfy itself that all loan applications before it meet all conditions and that District endorsement has been provided in accord with the conditions for loans;
 - 7.1.3 be able to refer any matter back to the relevant District for clarification or for further explanation;
 - 7.1.4 refer to the Board of the League, for the Board's consideration and advice, any application which it believes could jeopardise the funds of the League;
 - 7.1.5 where it has any doubt, seek any other information which it needs to satisfy itself that the borrower is able to adhere to the conditions of the loan;
 - 7.1.6 consult with any other persons as necessary to obtain further information to satisfy itself that the loan conditions can be met;
 - 7.1.7 take any other action to secure the funds of the League; and
 - 7.1.8 have the power to delegate its functions with the agreement of the League and the General Church Council.

8 Loan monitoring procedure

- 8.1 At the end of each calendar year, and at other times as requested, the Chief Executive Officer of the League shall provide to the Loan Management Committee, loan repayment summaries showing the status of loans at the end of the year and the movements during that year.

- 8.2 For guidance the Chief Executive Officer of the League may highlight those borrowers that have not adhered to the agreed repayment rates and over which the League has some concern.
- 8.3 The Chief Executive Officer of the League shall keep a record of all delinquent loans, as determined by the Loan Management Committee from time to time, and shall issue the Committee with regular reports on these loans until a satisfactory repayment performance is evident.
- 8.4 The Loan Management Committee shall follow up any loans over which it has concerns, with the respective borrower and the District Church Council of which the borrower is a member. The relevant District Church Council has the responsibility to investigate and seek an explanation from the borrower and forward that together with its own comments to the Loan Management Committee within a period of three [3] months. Where the borrower is having difficulty in meeting the agreed repayments, the relevant District Church Council shall take action to ensure that arrangements which are satisfactory to the Loan Management Committee are made for future repayments.
- 8.5 The Loan Management Committee shall receive reports from District Church Councils and take any action necessary to satisfy itself that debts, including interest, are being repaid satisfactorily and that suitable arrangements are in place where a borrower has defaulted.
- 8.6 The Loan Management Committee shall issue a report on all loans to the Board of the League and to the General Church Council where there has been a default in repayment. In particular, it shall highlight any loan matters over which it has serious concerns and which have not been satisfactorily resolved.

9 Disputes

- 9.1 An applicant disputing the decision of the Loan Management Committee may apply to the General Church Council of the Church via the relevant District Church Council for reconsideration. Any decision by the General Church Council shall be made after reference to the Loan Management Committee and shall be final.

10 League Prudential Responsibility

- 10.1 If at any time, the Chief Executive Officer or Chairperson of the League is of the opinion that League funds may be or may become in jeopardy, the Chief Executive Officer or Chairperson of the League shall report to the Loan Management Committee with recommendations. If the Chief Executive Officer or the Chairperson of the League is not satisfied with the decision on the report, the Chief Executive Officer or Chairperson of the League shall report to the President of the Church for directions, and, at his discretion, the General Church Council.