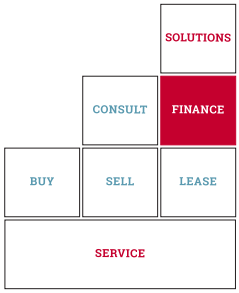
CHURCH REALTY | THE CHURCH REAL ESTATE PROFESSIONALS.



It's Not All About The Numbers

The loan evaluation process goes deeper than evaluating your financial information. Believe it or not, they are also evaluating you – the person asking them for money. They are looking to make sure you have a healthy grasp of what's going on within your organization that warrants your needing a loan.

Here are four "non-financial" areas a lender is evaluating as part of their process.

Integrity – Can they trust the information you are providing?
Capacity – Will the loan help you or hurt you?
Accountability – Do you have the appropriate level of financial oversight and management?
Awareness – Is your request reflective of what's actually taking place within your organization?

INTEGRITY – Can they trust the information you are providing?

Being able to demonstrate sound bookkeeping practices is vital. Lenders want to see a consistent discipline of accurate accounting. This is demonstrated by money management policies, bookkeeping systems, and the people involved in overseeing the finances.

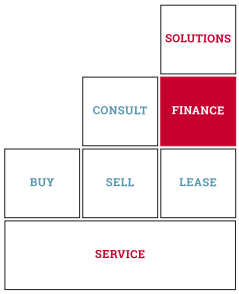
CAPACITY - A complete set of financial statements covering the previous three to five years

Lenders rely on your financial history and growth trends as a primary reference to understand your financial capacity moving forward. Because of this, one of the most practical a church can do is start acting like you are paying the mortgage or lease you anticipate moving into.

What does that mean?

Let's say your current lease payment is $4,000/mo and you anticipate moving into a loan or lease arrangement that would require a $10,000/mo payment. To demonstrate your capacity to handle this type of payment you could pay the landlord $4,000 and deposit the remaining $6,000 into a savings account. Doing this for a consistent period of time will show a potential lender or landlord that you have the capacity to make a $10,000/mo payment. An additional benefit will be the additional money you accumulate over several months.

CHURCH REALTY | THE CHURCH REAL ESTATE PROFESSIONALS.



It's Not All About The Numbers

ACCOUNTABILITY - Do you have the appropriate level of financial oversight and management?

It's unfortunate, but fraud is a reality in many churches and religious organizations. Where there is no way to stop someone that wants to do harm, there are ways of managing the organization that limits the ability for people to take advantage. This is where your governing documents and financial policies and procedures come into play.

A lender will want to have the sense that you have a clear method for managing the day-today operations and that there is a clearly defined process for making significant strategic decisions.

AWARENESS - Is your request reflective of what's actually taking place within your organization?

Being able to articulate what is actually taking place within your ministry will help the lender feel confident in your ability to manage the resources you currently have available.

Here are some areas to consider as you prepare to engage in conversation with a lender:

- What is your mission? What are you ultimately about?
- What is your strategy? How do you go about accomplishing your mission?
- How does the project you are requesting funding for facilitate your strategy?
- What is the geographic and demographic breakdown of your membership?
- What are your giving trends for your....
  - ...general giving?
  - ...designated giving?
  - ...building/facilities related giving?
- How will your project benefit the community?

As stated above, a lender's evaluation will go beyond simply crunching numbers to see if you fit into a certain box. Your ability to communicate these areas with confidence and accuracy is an important part of how they will evaluate you, the church, and your loan request.

Contact us if you need help formulating a strategy to communicate these areas effectively.