

Loan FAQ

What size loan might we qualify for?

The Free Methodist Loan Fund has two general guidelines that will help you determine how much you may qualify for.

First, the Free Methodist Loan Fund is only authorized to loan up to 80% of what the property is appraised at. Therefore, if the property is appraised for \$100,000 the largest potential loan would be \$80,000.

Second, a maximum of 30% of a ministries' revenue (excluding capital funds) can be used to service debt. Below is a general guide showing how much a ministry can potentially qualify for based on revenue assumptions and amortization.

| Ministry Income | LOAN AMOUNT (Based upon 30% Pmt / Revenue) | | | |
|-----------------|--|--------------|--------------|--------------|
| | 10 Year Loan | 15 Year Loan | 20 Year Loan | 25 Year Loan |
| \$50,000 | \$106,945 | \$137,781 | \$159,372 | \$174,489 |
| \$70,000 | \$149,722 | \$192,894 | \$223,121 | \$244,285 |
| \$90,000 | \$192,500 | \$248,006 | \$286,870 | \$314,081 |
| \$110,000 | \$235,278 | \$303,119 | \$350,619 | \$383,876 |
| \$130,000 | \$278,056 | \$358,231 | \$414,367 | \$453,672 |
| \$150,000 | \$320,834 | \$413,344 | \$478,116 | \$523,468 |
| \$170,000 | \$363,611 | \$468,456 | \$541,865 | \$593,263 |
| \$190,000 | \$406,389 | \$523,569 | \$605,614 | \$663,059 |
| \$210,000 | \$449,167 | \$578,681 | \$669,363 | \$732,855 |
| \$230,000 | \$491,945 | \$633,794 | \$733,111 | \$802,650 |
| \$250,000 | \$534,723 | \$688,906 | \$796,860 | \$872,446 |
| \$270,000 | \$577,500 | \$744,019 | \$860,609 | \$942,242 |
| \$290,000 | \$620,278 | \$799,131 | \$924,358 | \$1,012,037 |
| \$310,000 | \$663,056 | \$854,244 | \$988,107 | \$1,081,833 |
| \$330,000 | \$705,834 | \$909,356 | \$1,051,856 | \$1,151,629 |
| \$350,000 | \$748,612 | \$964,469 | \$1,115,604 | \$1,221,424 |
| \$370,000 | \$791,389 | \$1,019,581 | \$1,179,353 | \$1,291,220 |
| \$390,000 | \$834,167 | \$1,074,694 | \$1,243,102 | \$1,361,016 |
| \$410,000 | \$876,945 | \$1,129,806 | \$1,306,851 | \$1,430,811 |
| \$430,000 | \$919,723 | \$1,184,919 | \$1,370,600 | \$1,500,607 |
| \$450,000 | \$962,501 | \$1,240,031 | \$1,434,348 | \$1,570,403 |
| \$470,000 | \$1,005,278 | \$1,295,144 | \$1,498,097 | \$1,640,198 |
| \$490,000 | \$1,048,056 | \$1,350,256 | \$1,561,846 | \$1,709,994 |
| \$510,000 | \$1,090,834 | \$1,405,369 | \$1,625,595 | \$1,779,790 |
| \$530,000 | \$1,133,612 | \$1,460,481 | \$1,689,344 | \$1,849,585 |
| \$550,000 | \$1,176,390 | \$1,515,594 | \$1,753,093 | \$1,919,381 |
| \$570,000 | \$1,219,168 | \$1,570,706 | \$1,816,841 | \$1,989,177 |
| \$590,000 | \$1,261,945 | \$1,625,819 | \$1,880,590 | \$2,058,972 |

Please note that this is a general guideline, but does not guarantee approval. Note that this scenario is based on a rate of 7.15%. If your expected rate is higher then your qualification will be reduced.

What fees are associated with receiving a loan from the Free Methodist Loan Fund?

Different from most banks, the Free Methodist Loan Fund does not charge any fees for its loan services. The ministry, however, may incur out of pocket expenses to cover the cost of an appraisal, mortgage preparation, and title insurance. Title insurance and appraisals will depend on the amount of the loan. Below are average rates for the state of Michigan. Please contact a local appraiser, attorney, and title company in your state to get a more accurate price.

| Mortgage Amount | Document Prep and Recording | Title Insurance in MI | Appraisal Cost |
|-----------------|-----------------------------|-----------------------|-----------------|
| \$100,000 | \$100 - \$600 | \$655 | \$1,500-\$2,500 |
| \$200,000 | \$100 - \$600 | \$1,005 | \$1,500-\$2,500 |
| \$300,000 | \$100 - \$600 | \$1,305 | \$2,500-\$3,500 |
| \$500,000 | \$100 - \$600 | \$1,805 | \$2,500-\$3,500 |
| \$700,000 | \$100 - \$600 | \$2,305 | \$3,500-\$5,000 |
| \$1,000,000 | \$100 - \$600 | \$3,055 | \$3,500-\$7,500 |

The cost of appraisal will vary greatly by appraiser and region. Please contact a local appraiser to get an accurate estimate for a limited summary appraisal. Since the price may vary greatly between appraisers, it may be beneficial to contact multiple appraisers.

During construction is interest charged while the loan is in the draw phase?

Yes, interest accrues daily on the unpaid balance. Each time a draw is requested the interest owed must either be paid current by check or be added to the principal balance of the loan. Therefore, it is important to understand that if the church adds the interest payments to principal they will not have the entire approved amount to pay toward direct project expenses. For example, if the church is approved for \$100,000 at a rate of 7.50% and the construction project is over a 1 year period approximately \$3,000-\$7,500 (depending on how the draws are made) will be paid in interest. If the interest is paid from loan proceeds, those amounts will not be available to pay direct project expenses.

How will we receive money from our loan?

If funds are needed quickly, the Free Methodist Loan Fund is able to electronically transfer funds directly into your bank account or have the check delivered overnight. Otherwise a check can be mailed to the church.

How long are we guaranteed our current interest rate?

The church receives the current rate at the time the entire application is received at The Free Methodist Foundation. If approved, the church will be guaranteed this rate for five years from the date the loan is approved. After five years the loan will be adjusted up or down to the current rate in effect at that time.

What is the current interest rate?

The current loan rate can be determined by calling (800) 325-8975.

Who sets the current interest rates?

The Loan Fund committee at The Free Methodist Foundation reviews and sets loan rates monthly.

Where can I find a list of all the required paperwork?

A summary of steps and required paperwork for each step will be included with your application.

How long does it take to get approved for a loan?

Loans under \$250,000 can be processed in approximately four weeks. Loans for more than \$250,000 may take closer to six weeks because they normally involve more steps including board approval. The amount of time to fully process a loan may be reduced through a high degree of responsiveness by the church.

Who should I contact at the Free Methodist Loan Fund?



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