

**BBFI EVANGELISM  
& HOME MISSIONS POLICY**

**Policies & Procedures  
of the  
National Church Planting Office**

**Baptist  
Bible  
Fellowship  
International**

# ARTICLE I

## Name

**Section 1:** The name shall be the National Church Planting Office of the Baptist Bible Fellowship International, Inc.

- A. The National Church Planting Office shall operate as the church planting arm of the BBFI Department of Evangelism and Home Missions.
- B. Domicile: Springfield, Missouri, USA

**Section 2: The Evangelism and Home Missions Committee**

- A. The Evangelism and Home Missions Committee shall be composed of 15 members of the National Directors of the BBFI.
- B. The National Directors shall serve as the highest governing committee of the National Church Planting Office (NCPO).
- C. Responsibilities and duties shall include:
  - 1. to develop and approve all policy, exceptions to policy, and operating procedures
  - 2. to review and approve all budgets and financial reports of the NCPO.
  - 3. to give oversight to the Director
  - 4. to give a review of his job performance every year.

# ARTICLE II

## Officers

**Section 1:** The 3<sup>rd</sup> Vice-President of the BBFI will serve as Chairman of the Evangelism and Home Missions Committee.

**Section 2: General Policies**

- A. Appointments: The Executive Committee of the BBFI shall recommend candidates for the office of Director to the National Directors, who shall appoint him according to the constitution and bylaws of the Baptist Bible Fellowship International.
- B. Terms: The term is indefinite and subject to an annual review and evaluation by the Executive Committee, with recommendation to the Evangelism and Home Missions Committee.
- C. General Duties: The Director shall maintain, promote and administer the policies and procedures in accordance with the Articles of Faith of the BBFI, and its constitution and bylaws.

- D. Accountability: The Director is accountable to the 3<sup>rd</sup> Vice-President. A progress report shall be presented to the Evangelism and Home Missions Committee at each National Fellowship Meeting.

### **Section 3: Responsibilities of the Director**

- A. The promotion and assistance of church planting throughout the United States.
- B. The implementation of the policies of the National Church Planting Office.
- C. Oversight and administration of fundraising and fund distribution.
- D. Oversight of the application approval process for church planting candidates.
- E. Oversight and direction of the National Church Planting Candidate School and other related training events.
- F. Coordinate training efforts between the National Church Planting Office and colleges.
- G. Supervising and maintaining the National Church Planting Office
- H. Oversight of all financial records, documentation and all loan processes for the funding of local church loans

## **ARTICLE III**

### **Approval of Church Planting Projects & Candidates**

#### **Section 1: Personal Qualifications**

- A. Candidates must give evidence of the pastoral qualifications as specified in 1 Timothy 3:1-7, which reads as follows:

*This is a true saying, If a man desire the office of a bishop, he desireth a good work. 2. A bishop then must be blameless, the husband of one wife, vigilant, sober, of good behavior, given to hospitality, apt to teach; 3. Not given to wine, no striker, not greedy of filthy lucre; but patient, not a brawler, not covetous; 4. One that ruleth well his own house, having his children in subjection with all gravity; 5. (For if a man know not how to rule his own house, how shall he take care of the church of God?) 6. Not a novice, lest being lifted up with pride he fall into the condemnation of the devil. 7. Moreover, he must have a good report of them which are without; lest he fall into reproach and the snare of the devil... (1 Timothy 3:1-7).*

- B. Candidates must, through a signed statement, demonstrate agreement with our Articles of Faith, philosophies, public name identification (*Baptist*) in the proposed new work, and affiliation with the BBFI.
- C. Candidates are required to have a sponsoring church who will recommend them, as well as a mentoring church in their targeted area. These may be one and the same.
- D. Candidates should be licensed or ordained prior to the application process.
- E. Candidates should have a good credit rating and a low personal debt to income ratio.
- F. A candidate's wife should demonstrate evidence of personal supportiveness toward a church planting effort.

## **Section 2: The Application Process**

- A. A pastor of a BBFI affiliated church, who is active in his local fellowship, shall recommend a candidate to the local fellowship of the targeted area for consideration of a church planting effort in that area.
- B. The chairman of the local fellowship shall coordinate the application process with the State Chairman of the targeted area. This process shall include demographics, fund requirements, and applicant qualifications.
- C. Having completed the local and state requirements of the process, the application will then be presented to the Evangelism and Home Missions Committee for approval at the national level, to be introduced at the National Fellowship Meeting.
- D. The approval by the Evangelism and Home Missions Committee will qualify the applicant for all levels of support available for said project, and will qualify the project for presentation to the Director.
- E. The application process shall include the following:
  - 1. a completed application form supplemented by a personal resume', which should include a personal service record, education, and pastoral recommendation(s)
  - 2. personal testimony which includes salvation, call to ministry, and motivation for church planting in the targeted area
  - 3. a demographic profile of the targeted area
  - 4. the written endorsement of a sponsoring church
- F. Each applicant will be considered on a case-by-case basis.

## **Section 3: The Formal Education of the Applicant**

- A. It is strongly recommended that:
  - 1. All applicants have a high school diploma or the equivalent.
  - 2. That all applicants under the age of 25 years complete graduate work from a BBFI-affiliated college, university or seminary.
  - 3. That all applicants over 25 years of age have an undergraduate degree from a BBFI affiliated college, university or seminary.
- B. Each applicant will be considered on a case by case basis.

## **Section 4: The Practical Education of the Applicant**

- A. All candidates must attend the NCPO module on church planting.
- B. Applicants must serve at least a one year internship in a local Baptist church of like faith and practice. For applicants under the age of 25, it is strongly recommended that they serve at least a two year internship.
- C. Applicants over the age of 25, without an undergraduate degree, may qualify with a minimum internship of two years in a local Baptist church of like faith and practice, or a personal service record of five years in a local Baptist church of like faith and practice.
- D. Each applicant will be considered on a case by case basis.

# ARTICLE IV

## Funding

### Section 1: National Church Planting Office

- A. The NCPO will be funded by interest income, fees, sale of certain resources and materials, and contributions from individuals, corporations and churches.
- B. Funds for support of the NCPO should be sent to the BBFI Missions Office, earmarked *Church Planting*.
- C. Expenses of the NCPO will receive priority with any remaining funds used for capital funding of church loans.
- D. A budget will be presented to the Evangelism and Home Missions Committee by the Director for approval.
- E. The NCPO will provide accounting for funds through an annual audit.

### Section 2: Procedures for Candidate Support

- A. Initial support should come from the sponsoring church, the mentoring church, the sending State Fellowship, and the State Fellowship where the church is being started. The National Church Planting Office (NCPO) will assist, as needed, in raising funds from the State Fellowships.
- B. The amount of monthly support will be established and reviewed through a coordinated effort between the church planter, the sending and/or mentoring church, and the State Fellowship.
- C. National promotion throughout the BBFI of each church plant will be the responsibility of the NCPO.
- D. Monthly designated support may be received and distributed by the NCPO.
- E. A bi-vocational or lay pastor shall be considered for partial support on a case-by-case basis.

### Section 3: New Project Start-Up Costs

- A. The State Fellowship, in conjunction with the sending church and the church planter, will present a budget to the NCPO for the necessary start-up costs.
- B. The church planter, with the endorsement and assistance of the NCPO, will be on deputation to raise these funds prior to the actual initiation of the project.
- C. It is recommended that the local and State Fellowships collect and distribute start-up cost funds.

# ARTICLE V

## The Loan Process

### Section 1: The Director

- A. To process the completed loan application
- B. To document the financial records
- C. To analyze the total project
- D. To present completed package to the Loan Committee

## **Section 2: The Loan Committee**

- A. Loan Committee Members are recommended and appointed to their positions by the BBFI President, in coordination with the Director, to be approved by the Evangelism and Home Missions Committee
- B. Loan Committee Members shall serve three-year terms, and no more than two consecutive terms.
- C. There shall be at least six Loan Committee Members, plus the Treasurer of the Executive Committee. The Director will serve as a non-voting member.
- D. Any vacancy within this committee shall be filled by the Executive Committee, in coordination with the Director until the next duly called business meeting, where they will be approved by the Evangelism and Home Missions Committee.
- E. A quorum will be 60%.
- F. The Loan Committee Members shall work within the parameters so outlined by the Evangelism and Home Missions Committee in coordination with the Director.
- G. Duties of Loan Committee Members:
  - 1. to review and approve new loans within the policies and procedures approved by the Evangelism and Home Missions Committee.
  - 2. to analyze and grade existing loans annually
  - 3. to assist the Director in recommending to the Evangelism and Home Missions Committee problem resolutions

## **ARTICLE VI**

### **Loan Policy & Procedures**

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#### **General**

In order to serve the needs of the Baptist Bible Fellowship International, the NCPO will engage in the origination of real estate loans for refinance, acquisitions, development, and construction of church related properties. Real estate lending is subject to many guidelines and procedures. This article addresses those policies, practices, and procedures unique to real estate needs for church related properties in the Fellowship. Compliance with legal and regulatory concerns is implicit within the Policy and procedures set forth.

#### **AUTHORITIES AND RESPONSIBILITIES**

##### **Credit Policy Committee**

The Credit Policy Committee will consist of the Evangelism and Home Missions Committee. They will be responsible for formulation and approval of credit Policy for all real estate lending.

##### **Credit Administration**

Loan grading, analysis, and review are functions of the Loan Committee. Delinquency and exception reporting, as well as overall portfolio analysis and concentration reporting, is the responsibility of the Loan Committee.

## **Loan Committee**

- Origination of all loans is the responsibility of the Loan Committee. Exceptions to Policy are to be approved by the Evangelism and Home Missions Committee and documented by the Loan Committee.
- The Loan Committee is responsible for the negotiation, documentation, and closing of loans on terms consistent with Policy.
- The Loan Committee is responsible for the management of loans given through the NCPO including servicing, follow-up, and collection of loans consistent with Policy.

## **CHURCH RELATED LOANS AND CONSTRUCTION LENDING**

### **Types of Loans Covered**

Loans to BBFI churches may only be made for the acquisition, refinance, and construction financing of church-related properties.

Church-related loans are generally desirable assuming:

- Supportable economic climate
- Pastor is of good reputation, experienced and established in the ministry and adequately supported.
- Loan purpose is well-conceived, thought through and driven by congregational demands, whether it involves the acquisition or expansion of facilities for church-related use.
- Real estate offered as collateral will be desirable for church-related use, but would also lend itself to multiple business purposes.
- Loan can be structured in accordance with lending policy.
- Borrower maintains a supporting relationship of the BBFI.

### **Credit Policy**

#### **Market Area:**

BBFI churches contained within the 48 contiguous United States.

#### **Concentration/Loan Size:**

Not to exceed \$500,000 to one borrower without approval of the Evangelism and Home Missions Committee.

#### **Types of Credit Facilities:**

- Land Acquisition and construction: limited multiple advances, interest only, non-revolving secured loans.
- Term Loans: secured, amortizing loans.

#### **Loan Structure:**

- A. Loans on church-related properties should be negotiated, structured, and documented as long term loans. The primary source of repayment of these loans is based upon the financial strength of the borrower and the ability to generate long term positive cash flow for debt service.
- B. Therefore, these types of loans should generally be structured as long term church-related loans, the terms of which are governed by written **loan agreements** with standard representations and warranties, loan covenants, and events of default which are typical of such agreements. At a minimum, such agreements should contain traditional covenants dealing with changes in ownership of collateral assets, financial reporting requirements, and financial covenants providing for minimum net worth requirements, maximum debt to equity ratios, debt service coverage, etc. Such loan agreements should be designed to protect the Equity Project against deteriorating financial condition and other credit risks.

- C. The amortization of church-related loans secured by real estate should be matched to the positive cash flow of the borrower, as well as the purpose of the loan. If the loan is for the acquisition of real estate or refinancing of existing credit, then the amortization should be in the range of 10-30 years, or the remaining life of the existing loan in the case of refinance.
- D. The maturity of church-related loans secured by real estate with long term amortization will generally have balloon maturities of three to five years.
- E. Construction Phase Loans: Terms should allow for a reasonable time period to complete construction with some allowance for delays, closing procedures, etc.; usually six months to one year in duration. In most loans, interest only is charged on money drawn.
- F. Term Loans: Term loans on acquisition of land and existing buildings are acceptable when appropriately structured and underwritten. Such loans should generally be structured with complete amortization of principal over ten years, not to exceed 30 years with quality properties. Maturities should not exceed five years unless an exception is made by the Evangelism and Home Missions Committee. Loan-to-value ratios should generally not exceed 80% and debt service coverage should be at least 1.0.

### **Collateral and Supporting Documents**

- A. The collateral for church-related loans must consist of a first lien deed of trust or mortgage on the underlying property.
- B. Appraisals are required consistent with NCPO Appraisal Policy.
- C. A title insurance policy is required on all church-related projects. An attorney's title opinion on loans may be used in lieu of title insurance where states require an abstract.
- D. Hazard or risk insurance and liability insurance are required on all loans. Hazard insurance should be for 100% of the insurable value with liability coverage commensurate with the size and type of the project. Construction loans should be covered by builder's risk policies furnished by the borrower or general contractor covering workmen's compensation and other risks.
  - The NCPO should always be named as holding a mortgagee's interest on the insurance policy.
- E. NCPO flood policy requires the following on all real estate loans:
  1. A flood zone determination must be made on all church-related mortgages. This includes all loans originated increased or renewed.
  2. Flood insurance is required on all loans secured by real property located in a Special Flood Hazard Area (SFHA). The insurance must be purchased up front and maintained over the life of the loan.
  3. All loans (as described above) must be monitored for the life of the loan to determine any change in the flood zone designation. If the flood zone changes to an SFHA, flood insurance must be obtained. The NCPO is required to force-place insurance if necessary.
- F. Surveys are generally required on church-related loans. A final survey should be obtained showing the property as completed. Surveys should contain certification that the property is not located in a Flood Hazard area "A" or "V" as identified by the Federal Emergency Management Agency.
- G. Zoning adequacy for improvements to be constructed, as well as conformance with allowable density and parking ratios, ingress and egress, easements, and statements of utility availability are needed for larger projects. Building permits should be submitted to the escrow agent with applications for payments as well as certificate of occupancy before the final disbursements.
- H. Payment and performance bonds may be required on construction contracts as determined by the Loan Committee. NCPO must be named as co-obligee. Performance bonds guarantee that the contractor will build the project in accordance with the plans and specifications at the contract price. Payment bonds guarantee payments to subcontractors and vendors. Payment bonds should be written separately from the performance bond with separate limits of liability, usually equal to the performance bond amount. Situations that involve owner/contractors should be carefully reviewed since bonding is generally impossible.
- I. Phase One Environmental Audits will be required as determined by the Loan Committee. Additional environmental analysis may be required on a case-by-case basis.

1. It should be determined that the subject property is not located in a wetlands area. A site meeting the EPA definition of wetlands can and often does occur in what appears to be dry land. The definition of wetlands includes the hydrology, soil type, and vegetation on the site, not necessarily the presence of water. A permit may be required for areas only wet for seven consecutive days during a growing season. Areas previously wet and now drained are also subject to the permit requirements.
2. The wetlands permitting process is under Section 404 of the Federal Clean Water Act, and administered by the Corps of Engineers. Most engineering firms will have the National Wetlands Indicator Maps, but exclusion from an identified area does not mean that the property is not in a wetlands.
3. At this time, the wetlands issue and permitting process is still somewhat vague, but warrants consideration if the parcel of land exceeds five acres in size and if there is any indication of wetlands potential. This section will be updated as the procedures are clarified.

#### **Other Collateral Documents:**

- A. Assignments of Rents and Leases, Subordination and Attornment Agreements when applicable, copies of leases, UCC filings and Security Agreements on chattel properties and fixtures, Construction Loan Agreements, Assignments of Construction and Architectural Contracts with consents, and other collateral documents are typically required but should reflect the complexity and size of the loan. If a portion of the property is leased or subleased for a Christian school, daycare or other related facility, then it is appropriate to obtain assignments of such leases for collateral purposes.
- B. Organizational documents applicable to the type of borrower are required, as well as resolutions and authorities of the borrower.
- C. Commitment letters will be issued on each church-related loan detailing loan terms, fees, and loan requirements. The complexity of the commitment letter should reflect the complexity of the loan. Commitment letters should be written or reviewed by NCPO legal or outside counsel before presentation to the borrower.

#### **Loan Underwriting**

Loans to church-related properties secured by real estate should be underwritten with primary emphasis upon the financial strength of the borrower and debt service capability from long term positive cash flow.

The following underwriting guidelines for church-related loans are intended only to give some general loan parameters. Since each loan represents a combination of unique risk factors, it is impossible to establish exact criteria for loan underwriting and, therefore, each loan should be judged on its individual merits.

#### **General underwriting guidelines would include:**

- A. An assessment of the borrower's capital, working capital, and financial leverage to determine that it compares favorably with sound church financial stewardship and business management.
- B. An analysis of historical and projected cash flow available for debt service to determine that it compares favorably with sound church financial stewardship and business management, and that the projected cash flow is comfortably sufficient for repayment of borrowings under normal or potentially adverse economic conditions in general or unique to the church market.
- C. Debt service coverage based upon historical results and reasonable projections should generally equal or exceed 1.0 – 1.3 initially and over the life of the loan. Higher coverage levels are recommended during periods of unusually low interest rates to protect both the loan and the borrower in an inflationary and/or rising rate environment.
- D. Secondly, but no less important to the underwriting process, the real estate collateral offered should be evaluated carefully as a secondary source of repayment in terms of its marketability and liquidation value. Key issues include:

1. Adaptability of suitability of the property for potential buyers or tenants in similar or alternative lines of business.
  2. Salability of the property given its potential usability, demand for facilities of the nature financed in the marketplace under current market conditions and in the foreseeable future.
- E. Critical to the collateral underwriting process is an appraisal which meets the acceptable standards of the Appraisal Policy, prepared by a qualified appraiser experienced and familiar with the type of property being offered for the loan. Equally important, the appraisal should be reviewed and analyzed by the Loan Committee.
  - F. Loan-to-Value: Loans and advances for the construction of church-related properties should not exceed 80% of value. Loans for purchase of church-related properties should not exceed 80% of the value. Lower loan-to-value ratios are recommended when the general economic climate or the real estate market is weakened or impaired, or the project represents higher risk due to special nature, location, age, etc.
  - G. Appraised values determined under the income approach or market comparables approach should be based upon market values and rents for comparable properties in the marketplace.
  - H. Capitalization rates must be supported by the market and accurately reflect the risk of the particular property type and the borrower/tenant's financial strength.
  - I. Maximum loan amounts and equity requirements will vary based on the unique risk factors of each individual loan.
  - J. In the case of new construction, the construction budget should be reviewed and analyzed for feasibility.
    - Construction costs must be carefully reviewed to determine their adequacy to complete the proposed project. Hard and soft costs must be detailed and, if complexity warrants, the overall budget should be reviewed by an outside architect or engineer. A loan budget should be formulated prior to closing to clearly specify the items and amounts in the budget to be funded by our loan. Each loan write-up should indicate clearly the amount of equity required for the project, the form of the equity, and when equity money will go into the project (generally ahead of loan proceeds). Disbursements to the general contractors should carry a retainage of 5-10% depending upon the contractor's financial capability, history, and bonding capacity.

## Compensation

- A. Interest Rates on church-related loans should generally float 2.5% over prime or other index deemed acceptable by the Evangelism and Home Missions Committee based on risk factors and market considerations. Such rates may be offered on either a floating or fixed rate basis. Typically floating rates are adjusted on January 1 with a maturity not to exceed five years. **Exception:** changes in interest rates may be allowed to conform to state laws.
- B. Loan fees should be collected, although individual markets vary. Such fees typically run 1% of the commitment, payable at closing.
- C. Expenses such as title insurance, attorney fees, appraisal fees, recording fees, surveys, environmental studies, disbursement fees, etc., should be paid by the borrower unless otherwise approved and considered in overall loan pricing.

## Renewals, Extensions, or Modifications:

- A. Renewals, extensions, or modifications of commitments beyond their original term shall be subject to approval by the Loan Committee.
- B. A loan cannot be changed for twelve months in relation to material content and collateral.

## **Loan Approval Process**

- A. Loans within Credit Policy may be approved by the Loan Committee consistent with standard approval procedures and limitations. Significant exceptions to Policy should not be approved without the authorization of the Evangelism and Home Missions Committee. Exceptions should be clearly noted on the policy "Exception Checklist," which should be incorporated in the credit report. They should also be noted in Committee minutes and approval memorandums, signed by the Chairman of the Evangelism and Home Missions Committee.
- B. Written commitments to the prospective borrower should always bear expiration dates which generally do not exceed 30 days. Expiration dates may be extended if circumstances warrant. This is particularly important with commitments involving fixed interest rate options.
- C. The Loan Committee shall be responsible for booking loans consistent with approval.
- D. Existing loans should be reviewed annually regardless of maturity, consistent with NCPO guidelines.

## **Loan Monitoring and Administration Process**

Commitment Letters, Loan and Collateral Documentation: Commitment letters, loan and collateral documentation, and loan agreements should be prepared with the assistance of or subject to approval by NCPO Legal or outside counsel if directed by NCPO Legal. Standard documents, including Loan Agreements, should be used for most church-related term loans.

### **A. Disbursements**

- 1. Disbursements for the acquisition of buildings or properties should be made to a loan closing agency upon receipt of all documentation required by NCPO Legal.
- 2. Construction disbursements are typically made to an escrow agent. Before the final disbursement is made, all documentation required by NCPO Legal must be received.
- 3. Draws shall be made for no less than \$10,000 and in no more than four draws. The full amount should be drawn within one-year.

### **B. Escrow Agent Responsibilities**

- 1. Prepare a monthly Loan Budget Review Form containing a summary of all draw activity within each budgeted cost item.
- 2. Prepare a Draw Detail itemizing each expenditure included in the current draw request.
- 3. Complete and sign Request for Advance certifying the accuracy of the request.
- 4. Include completed Application and Certification for Payment (AIA document G702) and Continuation Sheet (AIA document G703). Form G702 must be signed and notarized by the general contractor. It must also be signed by the architect and developer.
- 5. Include Lien Waiver forms executed by each payee from the previous draw request.
- 6. Include copies of all invoices for significant amounts included in the current draw.
- 7. Separately, a complete inspection report certifying the amount of the draw request must have been received by NCPO from the consulting architect/engineer approving the request.

### **C. Borrowers Responsibilities**

- 1. Prepare and sign each check to be disbursed in the current draw. Include the checks and addressed, stamped envelopes with the draw request.
- 2. Submit a copy of the CO and all lien waivers to NCPO before final draw.

### **D. Inspections**

As a general rule, church-related construction loans should be inspected monthly during construction, usually prior to draw request by the designated escrow agent. This should include a review of work in place and stored materials, certification of conformance to plans and specifications, estimation of adequacy of remaining construction budget, review of lien waivers, and comments relating to construction schedule.

### **E. Financial Reporting**

Annual financial statements from the borrower including balance sheets, cash flow statements (which will include income/expenses) on the project are required. Attendance and membership data should also be submitted. Every effort should be made on the part of the Loan Committee to understand each borrower's overall financial situation.

#### **F. Loan Covenants and Events of Defaults**

Each financial analysis should include the calculation of ratios set forth in the financial covenants of the Loan Agreement. Violations of covenants or other defaults in the Agreement should be referred to NCPO Legal and the Evangelism and Home Missions Committee for necessary waivers, amendments, or other appropriate action as soon as they are observed or discovered. Failure to do so could impair the timely enforcement of remedies available to NCPO.

#### **G. Collateral Inspections**

The condition of the real estate collateral for loans should be noted periodically in reports or business calls by personnel designated by the Evangelism and Home Missions Committee. Any abnormal deterioration, deferred maintenance, or environmental concerns should be noted for potential discussion with the borrower.

### **Credit Information and Financial Analysis**

- A. Prior to approval of church-related loans, the following information should be obtained and analyzed:
1. Balance sheets, cash flow statements, attendance and net worth reconciliations for at least the past three fiscal year ends, along with the most recent interim results, should be obtained and analyzed for the borrower. Certain exceptions may be made on newer churches.
  2. Project Reports summarizing all cash flows on development or construction activity, not just on projects financed by NCPO.
  3. Detailed plans, specifications, cost estimates, and surveys are required on each loan.
  4. Projections: Projections should be provided by the borrower evidencing ample and sufficient attendance, cash flow, and debt service coverage over at least the first three-five years of the loan proposed.
  5. Collateral Analysis: Collateral valuations should be established by appraisals consistent with the Appraisal Policy, subject to internal review and analysis.
  6. Post-Closing Analysis: After the loan closing, a financial analysis and review should be conducted consistent with the review guidelines established by the Evangelism and Home Missions Committee.
- B. Grading
- All loans should be graded at the time of approval and shall be reviewed on a regular basis by the Loan Committee. Changes should be made when circumstance warrant.

### **Loan Review Activities**

- A. It shall be the responsibility of the Evangelism and Home Missions Committee to review the portfolio from time to time, analyzing individual loans for loan performance, credit strength of the borrower(s), proper grading, and adequate monitoring to assure that loans are being made and managed in accordance with Loan Policy with proper documentation of exception to Policy.
- B. Exception to Policy must be approved by the Evangelism and Home Missions Committee.
- C. Particular attention should be given to all regulatory compliance issues by the Evangelism and Home Missions Committee.

### **Problem Loan Management**

- A. Loans should be considered for regrading by the Loan Committee.

- B. **Loans should be placed on the Watch List when significant deterioration occurs.** Those on the Watch List will be notified by the Loan Committee.
- C. **Covenant violations or other events of default should be referred to and discussed with NCPO Legal as soon as they are observed or discovered for the purpose of determining and taking the appropriate course of action** (i.e., waiver, amendment, renegotiating or restructuring, or some form of legal action with regard to the loan or collateral). Failure to do so could impair the timely enforcement of remedies available to NCPO.
- D. **Watch List loans should reflect Action Plans commensurate with the condition of the loan and the borrower's financial condition.** Such Action Plans should reflect a direction of activities which will restore the loan to a satisfactory credit status or move the loan out of the portfolio.
- E. **Special attention should be paid to protection of the collateral on problem loans.** When a loan is placed on the Watch List, the status of real estate taxes on the collateral property should be determined and documented immediately. Insurance coverage should be reviewed for adequacy, verification or payment of premium, and policy expiration. Report any deficiencies regarding taxes or insurance to NCPO Legal.
- F. **The strategy for problem loan management and corresponding Action Plan should be tailored to each individual loan based upon the severity of the situation.**
- G. **Any legal actions against the borrower or actions with regard to the real estate collateral should always be reviewed, coordinated with NCPO Legal and approved by the Evangelism and Home Missions Committee .**
- H. **Appropriate environmental testing and evaluation must always precede any legal action and negotiated settlement which would result in NCPO's ownership of real estate collateral.**

## **ARTICLE VII**

### **Subject of Dissolution**

In the event of dissolution of the National Church Planting Office of the Baptist Bible Fellowship International, Inc., all assets will be given to the four other approved entities of the Baptist Bible Fellowship International, Inc. defined as the Baptist Bible Fellowship Missions Office, Baptist Bible *Tribune*, Baptist Bible College, and Boston Baptist College. Distribution will be by the discretion of the present Executive Committee and Evangelism and Home Missions Committee of the National Church Planting Office of the Baptist Bible Fellowship International, Inc.