



AGFinancialSM

FIVE THINGS TO CONSIDER ABOUT CHURCH FINANCING

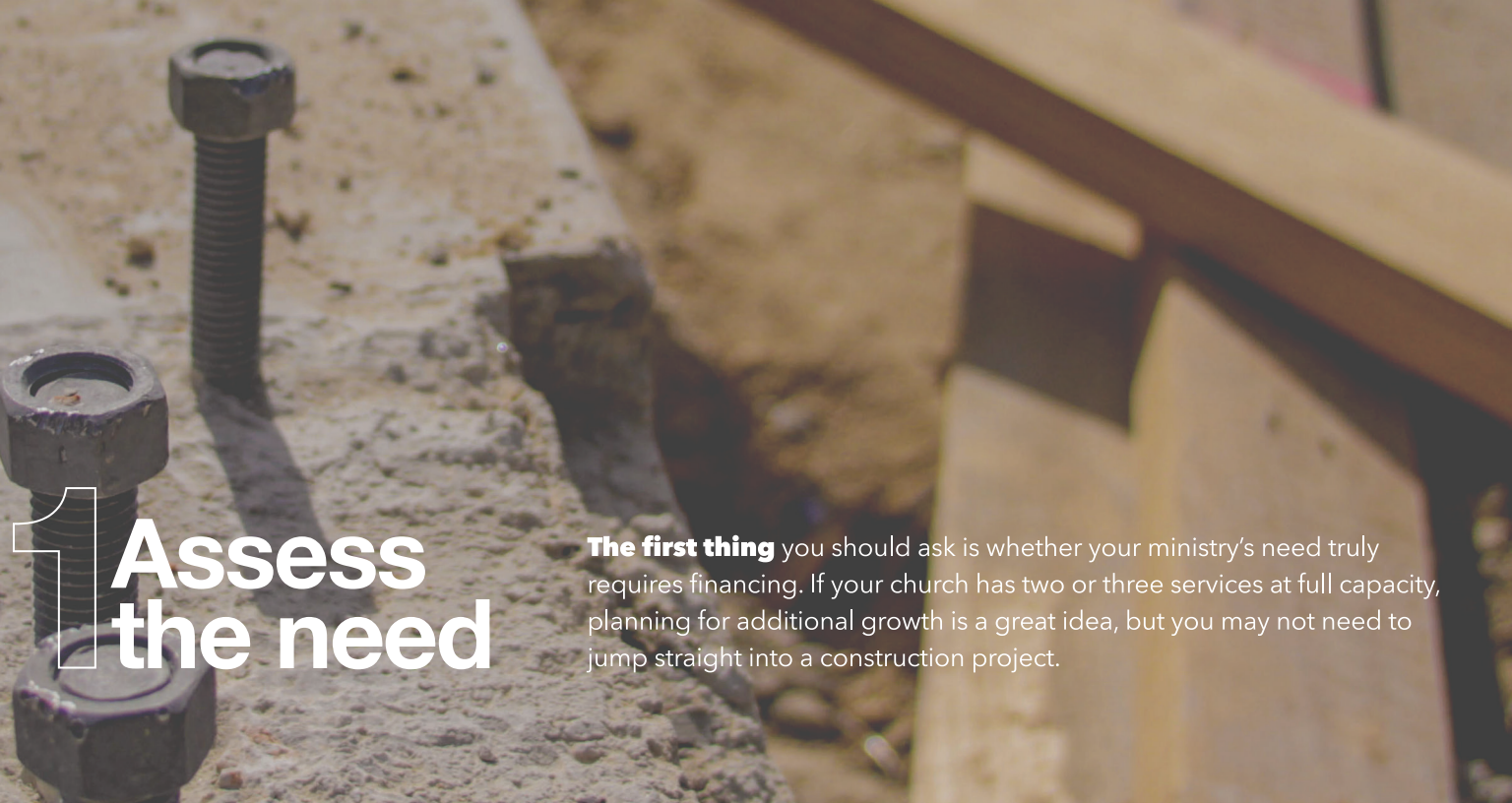
Your church is growing.

You need more room to welcome people, host ministry activities, and reach your community. You want to expand your facilities in order to support your ministry's growth. Now, it's just a matter of securing financing for your project.

Where do you begin?

Here are **five things to consider** when seeking financing.





1 Assess the need

The first thing you should ask is whether your ministry's need truly requires financing. If your church has two or three services at full capacity, planning for additional growth is a great idea, but you may not need to jump straight into a construction project.



Before planning for a new facility, take steps to fully use the space you currently have. Your facilities may have underused areas that could be renovated to provide the space your church needs. Consider having additional services, whether that's a third service on Sunday, a Saturday night service, or even an additional service on a weekday. Providing services on different days and at different times offers more opportunities for people to attend. With four or five services, your current sanctuary space may be sufficient, and this minimal-cost option gives you more time to plan for future growth.

If you decide you need a church loan, make sure to strategically utilize these three sources of funds to help cover the cost of your project - the money you have on hand (cash reserves), the money you can raise, and the money you can borrow.

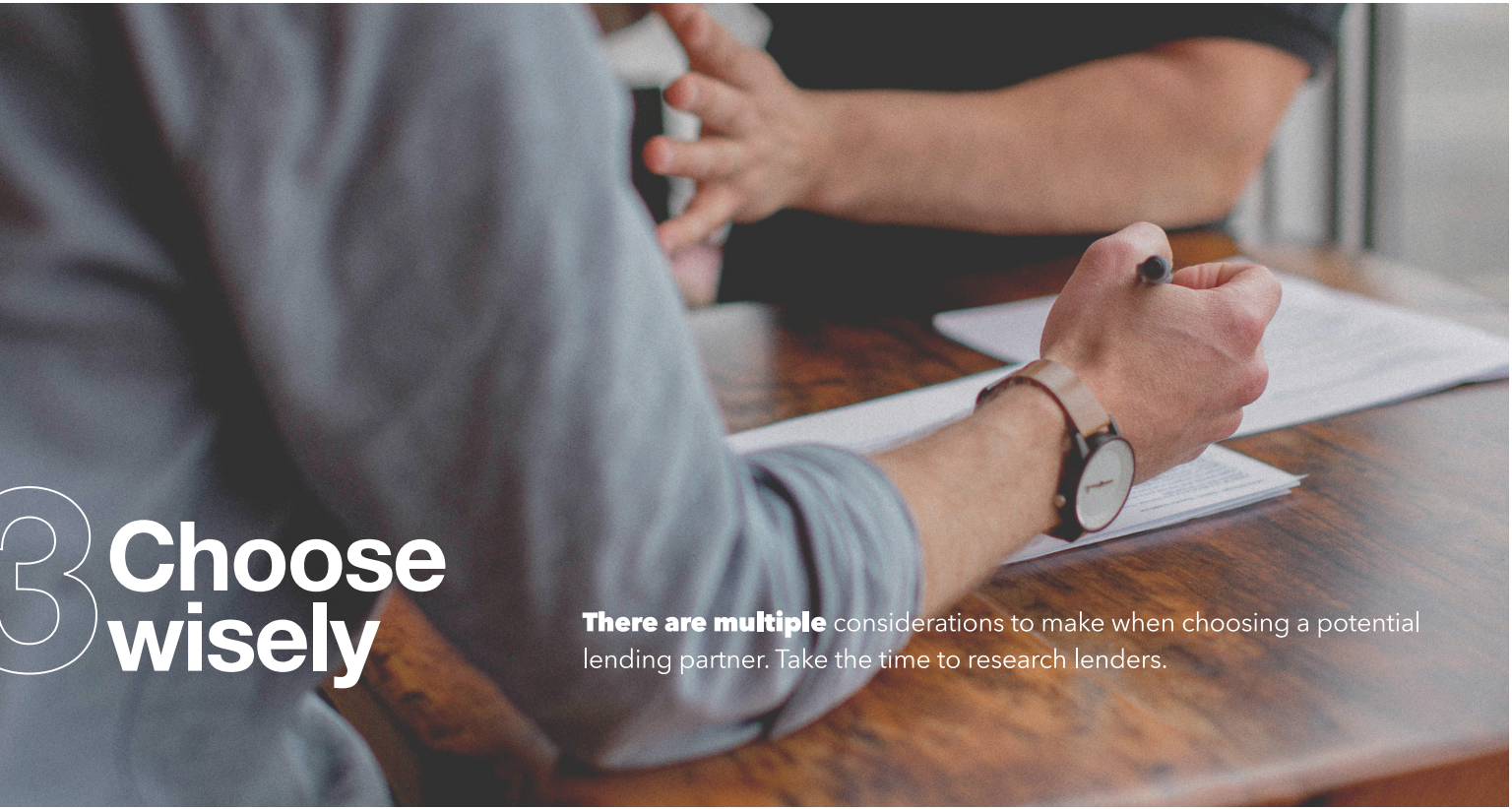
2 Smart planning

If you're looking to finance the construction of a church facility, the project should be shaped by a vision for your church's future growth. It's important to design your building with ministry activities in mind. Don't be afraid to get a little creative – many churches purchase and renovate existing facilities, like storefronts, offices, or even warehouses. Other churches design entirely new buildings for their specific needs. Regardless which route you take, always keep your church vision top of mind.



A church construction or expansion project should align with the God-given vision for your church's future. Avoid starting a project simply to solve an immediate issue, like a lack of space. For example, recently a church entered into a multi-million dollar expansion project to quickly fix space needs for its children's area. Within 12 months of the project's completion, they had the exact same spatial issues. As you design your new space, plan for the future growth of your ministry – or you may find yourself struggling with the same issues in a very short time.

Lastly, make sure to bring the right parties to the table sooner than later. Just as you would bring in the architect and builder early on in the planning, make sure the lender joins the conversation early as well. Too many times, we've seen pastors and architects dream up big plans that were far outside the debt range that the church could handle. In addition, the lender will provide a different perspective and insights that can save time, money, and frustration.



3 Choose wisely

There are multiple considerations to make when choosing a potential lending partner. Take the time to research lenders.



When you identify a potential partner, share the vision for your ministry and make sure that the lender understands your plan and goals for growth. It's essential to find a financial partner who understands who you are and what you do.

Always remember that you're doing more than just borrowing money – some of the interest from your payments will go to the causes and organizations your bank or financial institution supports. It's important to enter into a partnership with an institution that not only understands your unique needs as a church, but also shares your values. As Pastor Jeff Krist at Gateway Assembly in Imlay City, Michigan, once said, "Money is powerful, and it should be tied to the right sources."



Once you've chosen a potential lender with whom to discuss options, be prepared for a conversation. They will ask questions about your church's finances and leadership to determine if your church is a good candidate for a loan. Think of this interaction like a job interview – you want to put your best foot forward and come prepared with answers to any questions the lender may ask.



First and foremost, know how much you can afford to borrow, as that amount will shape the scope of your project. It's great to dream big for your ministry, but it's essential to know how much debt the church can actually service.

The lender needs to see the church's numbers in an accurate and uniform format. They will want to see a strong track record of income and attendance, in addition to revenue in excess of your operating expenses. If your church tends to struggle with covering expenses, it may be a challenge for the church to take on a monthly mortgage payment.

When it comes to seeking church financing, Rob Ketterling, pastor of River Valley Church in Apple Valley, Minnesota, said, "Make sure that you're able to present yourself well. We know you have vision, but can you show your finances? Can you show margin? Can you show good stewardship? Can you show that you're somebody that they should give money to?"

While finances are a primary concern, a lender will also consider the character and state of your church. This simply means that they will want to know your ministry will honor its commitment to repay the loan. To determine this, a lender looks for a good credit history, as well as committed and consistent church leadership.

Lenders also need to know what collateral is available. Collateral is real property, such as land and buildings, that can secure the loan and will be enough to repay the loaned funds in the event of default.



5 Ask questions

Just as a potential lender will have questions for you, you should have questions for the lender. Before you meet, determine what you want to know prior to entering into a financial partnership.



Keep in mind your lender will be your partner for years – in some cases, even decades. Since church loans are different than traditional commercial loans, having a lender that **understands church lending** can be a huge asset. Ask the financial institution about their experience in working with churches.

Many pastors and church leaders prefer to partner with a lender who shares their principles, but several national lenders use their profits to fund causes that conflict with basic Christian values. Don't hesitate to ask or research what causes or organizations the financial institution supports.

Finally, find out if your lender offers permanent financing for churches. Often, you may see loans labeled as "fixed" or "permanent" that are, in fact, short-term balloon notes. These loans may have low interest rates, but at the end of the term, the entire amount remaining must be paid back in one lump sum. A truly permanent loan offers a much more stable arrangement for your ministry, providing less financial risk, and increasing cash flow.

Church financing is a strategic tool that can prove very helpful for growing churches.

Remember that securing funds at a good rate is important, but just as important is choosing a lender that understands ministry, shares your core values, and will be a long-term partner in the growth of your church.

Andy Whaley

Senior Vice President

awhaley@agfinancial.org

