

Policy for the Mortgaging of Property by Congregations in the Episcopal Diocese of Pennsylvania

If a parish/mission is considering mortgaging any of its real property, it needs to obtain the permission of the Bishop and Standing Committee before the mortgage, easement, or any other encumbrance can be finalized (Canons 13.2 and 17.3). These permissions normally take two months from the finalization of the agreement with the buyer before they receive final approval for the sale from the Bishop and Standing Committee.

In order to receive approval for a mortgage, a parish/mission should follow these steps:

- 1) Notify the Diocesan Property Manager of its Vestry's reason for seeking a mortgage.
- 2) Have the mortgage authorized by the Vestry as a formal resolution. The parish should never bring their proposal to the Diocese unless this has already occurred.
- 3) Confirm who holds legal title to the property: the parish/mission or the Church Foundation. If it is the Church Foundation, they must be notified. Moreover, they must be named in the mortgage and will be the ones to execute the document once it is approved.
- 4) Obtain a written appraisal from a qualified appraiser.
- 5) Have the mortgage reviewed by a qualified broker and/or attorney,
- 6) Contact the Diocesan Property Manager no less than one week prior to the monthly Property Subcommittee meeting (usually held on the 1st Thursday of the month) to inform him or her of the desire/intent to mortgage the property and provide:
 - a) A brief statement of how the mortgaging of this property will aid in the parish/mission's strategy for growing its parish and/or mission;
 - b) An explanation as to how the funds will be repaid and how that will impact the parish/mission's budget;
 - c) A copy of the written appraisal or broker opinion letter;
 - d) A copy of the most recent annual budget, current treasurer's report, most recent parochial report, and most recent audit;
 - e) A copy of the Vestry resolution authorizing the sale;
 - f) A thorough description of the property to be mortgaged such as a site plan, tax map or similar visual document;
 - g) A copy of the mortgage and note;
 - h) A copy of the last five parochial reports;

Once all of the above have been received, the Property Subcommittee shall then review the proposed mortgage and supporting documents and make a determination as to whether or not to recommend to the Finance Committee that the mortgage proceed.

The Finance Committee will then review the Property Subcommittee's recommendation and make its own recommendation to the Bishop and the Standing Committee.

The Bishop and the Standing Committee will review the Finance Committee's recommendation and make a determination regarding the request mortgage the property subject to final review of the Chancellor.

During this process, any of the committees may ask for additional information or clarification.

After the conclusion of the mortgage, the parish/mission should enter the proceeds when filing their parochial report, showing funds received and debt incurred. If you need assistance in completing your parochial report please contact Canon for Finance at the Offices of the Diocese.