

THE MIDDENDORF REVOLVING FUND
GUIDELINES FOR LOANS

The following Guidelines were adopted by the Board of Managers of the Middendorf Revolving Fund of the Diocese of Maryland (the "Fund") on September 19, 2001 to be applied to all new loans approved on or after that date.

1. Small Loans. The Fund is not in the small loan business and, for established parishes with a capacity to borrow from commercial lenders on an unsecured basis, the Fund will not make loans under \$25,000. Even for the smallest and least established parishes, the Fund will not make loans under \$25,000 except in emergencies. All loans to missions, of whatever size, must be unconditionally guaranteed by the Diocese or the mother parish, as the case may be.

2. Credit Worthiness; Term of Loans; Advancement of Funds Only Upon Need. In all cases the Board of Managers (the "Board") must be satisfied of the credit worthiness of the borrower and its ability to repay in a timely manner in accordance with the terms of the note. In case of doubt, the application will be denied and the case referred to the Diocese for consideration by the Property Committee. No Middendorf loan for \$200,000 or more for a term longer than 5 years will be made unless the borrower demonstrates its ability to repay out of pledges in hand from a completed capital funds drive, or from working capital, or both. It is against the Fund's policy to advance its committed moneys until the borrower's internally generated funds, currently available and earmarked for the project, have been substantially exhausted.

3. Term Limits. No loan will be made for a term longer than 10 years, provided that the Board may approve an amortization schedule not in excess of 20 years so that the full balance of the loan will be payable as a balloon at the end of the 10-year term. Loans for emergencies will be for terms not longer than 5 years based on such repayment terms as the Board may deem appropriate in the circumstances.

4. Construction Loans. In its discretion, the Board may authorize construction loans where the principal is drawn down periodically as construction progresses with no payment of interest or repayment of principal until the final take-down. At that time, interest at the prescribed rate must be paid on all draws, and a permanent amortization schedule will come into play for the fixed term of the loan.

5. Principal Limits. In order to make its limited resources available to the maximum number of worthy applicants, the Board will normally restrict the principal amounts of its loans to the \$200,000-\$250,000 range. In no event shall the principal of any loan exceed \$400,000.

6. Multiple Loans to One Borrower. If case of the approval of two or more loans to the same borrower at the same time, the earlier one(s) must be renegotiated and consolidated into one note with a single amortization schedule.

7. Date of Loans. All notes for Middendorf loans will be dated on the first day of a month and will mature on the last day of a month. If funds are advanced in the month before the date of the note, interest will be waived for the balance of that month.

8. Interest Rate. The interest rate on Middendorf loans will be determined from time to time by the Board. At present, the rate is simple interest at 4% per annum. The Board has the right to waive interest, but in the past this right has been exercised only in the case of extreme hardship

9. Commitments. Commitments for Middendorf loans will last for one year after their approval by the Board and must thereafter be renewed from year to year. Renewals will be based on a letter from the borrower (1) explaining the reasons for delay, (2) submitting up-dated financial statements, and (3) stating the current amount of pledges in hand from a capital funds drive or other in-house generated funds earmarked for the project. Renewals will be granted as a matter of course if the project is under way and the reason for delay is to defer a call upon the Fund's commitment until internally generated funds, earmarked for the project, have been substantially exhausted. Otherwise, renewals will be granted only for good cause shown, and the amount of the renewed commitment, if any, will be determined by the Board in the light of its assessment of the current merits of the application, the availability of other funds to support the project, and the Fund's other commitments and pending applications.

10. Purposes of Middendorf Loans. The Fund is restricted in making loans only to parishes, separate congregations and missions in the Diocese of Maryland to assist in the "construction, renovation and improvement of church property, including but not limited to church buildings, parish houses rectories and other capital assets." The Board has consistently construed this provision as restricting its projects to bricks and mortar, or to the acquisition of property, but not to "program" or other intangible purposes. Projects that may be properly called "routine deferred maintenance" have been disapproved. The application form also requires the borrower to specify the manner in which it believes the project will serve its ministry/mission to advance the Kingdom of God.

11. Meetings of Board of Managers. Beginning in the year 2002, the Board of Managers will meet quarterly on a predetermined date in the months of January, April, July and October, and loan applications will normally be considered only at one of these regular meetings. In case of emergencies or other good cause, special meetings may be held at the call of the Chair or of any two Managers.

12. Amendments. These Guidelines may be amended from time to time by the Board, the same to be applicable to loans approved after the date of such amendments.