

# Baptist Financial Services Australia Ltd

ABN 56 002 861 789 – AFSL 311062  
("BFS" and "Baptist Financial Services")

A National Affiliated Ministry of Australian Baptist Ministries

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## LOAN INFORMATION PACK

### *Key Information for BFS Borrowers*

The following information is provided to assist you in your property purchase, building project or other venture, and associated borrowing.

Your respective State BFS Relationship Manager is keen to clarify or expand on any of these points or any other aspect of your project. Call 1300 650 542 to talk or make an appointment via [www.bfs.org.au/services/loans](http://www.bfs.org.au/services/loans) for us to meet – your place or ours!

### Applications for Loans

#### Accounts with BFS

To enable your Christian ministry to thrive, BFS offers a flexible range of loan products and assesses your loan application using a ministry focused lending criteria. BFS relies solely on funds from client investors and does not source funds for lending from external financial institutions. Past, present, or future loan clients are encouraged to contribute to the client investor pool to provide the opportunity for BFS to lend funds to churches and Christian ministry.

BFS requires the borrower to maintain their main financial institution account with BFS as a condition of approval for a secured loan. Read more in [www.bfs.org.au/church-ministries](http://www.bfs.org.au/church-ministries).

#### Application for Loan

Attached to this document (or you can download from [www.bfs.org.au/services/loans](http://www.bfs.org.au/services/loans), one of the following forms applicable to you:

- Secured Loan Application Churches and Christian Organisations.
- Unsecured Loan Application Baptist Churches, and
- Unsecured Loan Application (Baptist Pastors).

#### Business Plan

When submitting your abovementioned **Application**, and where an income generating activity is involved, a business plan should be included with your Application. Call BFS for any assistance with preparation of a Business Plan (from [www.bfs.org.au/resources](http://www.bfs.org.au/resources)).

#### Consideration of Application

When BFS management and Directors consider your application, we will carry out due diligence on your application including, without limitation, a review of:

- Purpose for the loan and your church vision.
- Church governance and legal structure.
- Historical financial records, at least covering the last 2 financial years.
- Actual financials versus the current approved budget.
- Pledges and commitments from the congregation.
- Trends in the number and offerings from members and adherents over the preceding 5 years.
- Other borrowings present and past.
- Anti-Money Laundering and Counter Terrorism Financing requirements, and
- Future cash flow projections and a Business Plan (if any) with assumptions.

These elements must demonstrate capacity to repay the loan at the current interest rate plus at least a 2% margin for safety.

## Availability of Loan Funds

Loan advances will not be made until the completed loan and loan security documentation has been returned and confirmation received from our Solicitor. You should generally allow at least 2 months from the submission of the application. It is advisable to contact BFS at the earliest opportunity to avoid unnecessary delays.

## Types of Loans

Please refer to our website [www.bfs.org.au](http://www.bfs.org.au) for the [Loan Products, Terms, Rates and Fees](#).

## Fees, Charges, GST and Interest Rates

### Fees & Charges

BFS charges loan application establishment and management fees, other costs and some loan account fees will apply. Please refer to the BFS website for a Loans Calculator and details concerning these fees and costs at [www.bfs.org.au/rates-fees](http://www.bfs.org.au/rates-fees). The borrower is also responsible for the following:

- Cost of valuations.
- BFS solicitor charges.
- Charges for solicitors acting for trustees, e.g., State Baptist Union, or Baptist Churches of NSW Property Trust.
- Bank Cheque costs.
- Solicitors' charges for any subsequent variation to the security documents for the loan where you request an increase to the amount borrowed or require other changes to the loan contract, and
- Any other costs associated with our due diligence on the application or security for the loan.

### GST

Where the property purchase, construction, or other expenditure to be made from a loan is subject to GST, consideration needs to be given how the borrower will finance the cash flow for these payments. You may consider registering for submission of Monthly BAS returns for the period of the project to avoid delays in obtaining refunds from the ATO.

Where GST payments are funded by BFS, GST refunds must be paid into the BFS loan account.

### Interest Free Loans

Church members/adherents may wish to provide interest free loans, or low interest loans, to assist the church. These funds may be held by the church in Loan Offset Savings Account/s and can ensure withdrawal is available for repayment to the member whenever required.

### Interest Rates on Loans

Interest rates on BFS Loans are variable (unless otherwise agreed to in writing to be fixed) and may vary at any time.

See Loan Rates [www.bfs.org.au/rates-fees](http://www.bfs.org.au/rates-fees) for current rates.

## Insurance

Adequate building and Public Liability insurance must be maintained on any buildings on the property held by BFS as security for a loan. The minimum Insurance requirements in respect of the property subject to Mortgage are:

### 1. Extent of cover

Cover to be maintained for an amount equal to at least the reinstatement and/or replacement value of the mortgaged property (excluding the land value). This figure should include allowances for the following additional charges:

- Demolition of damaged property and removal of debris.
- Architects and engineer's fees etc.,
- Extra costs of reinstatement due to changes in Government/Council/Statutory Authority regulations etc.,

- Escalation of costs during estimated reconstruction period, and
- Fire Extinguishment costs.

## 2. Scope of Cover

*Either:*

- Industrial Special Risks (ISR or IAR) Cover as per the NIBA Mark IV (modified 1996) Advisory Version - Section 1- Material Loss or Damage, or the NIBA Mark V Advisory Version, Section 1 - property Damage - or approved Brokers' Australian Equivalent - Extended by endorsement to include Flood\* (by the deletion of Perils exclusion 3a (Mark IV] or Perils exclusion 6.2.3 [Mark V]).
- An approved Fire and Perils Policy providing indemnity for the following insured Perils:
  - Fire, lightning, thunderbolt, explosion, earthquake<sup>#</sup>, subterranean fire, volcanic eruption or fire resulting therefrom.
  - Escape of liquids resulting from the bursting, overflowing or leakage of pipes, tanks, guttering, or water apparatus including automatic fire sprinkler systems.
  - Impact by vehicles, watercraft, or animals, falling trees or parts thereof, aircraft, aerial devices and items dropped therefrom, including space debris, sonic boom, falling buildings or parts thereof.
  - Collapsing or breakage of external aerials.
  - Riots, civil commotions including strikers, locked out workers or other labour disturbances.
  - Malicious damage, including persons attempting to gain unlawful access to the property.
  - Storm, tempest, cyclones, tornados, wind, hail, sleet, snow, and rainwater including run-off of rainwater.
  - Flood\* and Tsunami, and
  - Terrorism and/or the suppression of terrorism, to the extent provided by the Terrorism Insurance Act 2003.

## 3. Definitions

- \*For the purposes of the above, 'Flood' is defined as "The inundation of normally dry land by water escaping or released from the normal confines of any natural water course or lake, whether or not altered or modified, or of any reservoir canal or dam."
- Flood cover is to be included for the full value of the limit of indemnity, with no sub-limits and the excess condition is to be no greater than the standard policy excess.
- <sup>#</sup>Earthquake cover is to include a condition that all losses occurring at the insured location within a period of 72 hours to be considered one event. The excess condition in respect of earthquake claims not to exceed 1% of the insured value of the damaged property or \$20,000 whichever is the lesser.
- There is to be no additional excess over and above the standard policy excess in respect of claims arising from cyclones (including Named Cyclones) and cover is to apply to the full value of the limit of indemnity, with no sub-limits.
- There is to be no limitation of cover (other than during the first 48 hours after inception of a new policy) in respect of Bushfire, Tsunami, Cyclone, Flood, or other covered natural disaster. Baptist Insurance Services (BIS) policies meet these requirements.

Non-Baptist affiliated churches may contact the following for a similar policy:

ACS Financial  
 917 Riversdale Road  
 Surrey Hills VIC 3127  
 National Insurance Manager

**P.** 03 9811 9811  
**M.** 0411 129 175  
**W.** [www.acsfinancial.com.au](http://www.acsfinancial.com.au)

## Legal Status of the Church/Organisation

The legal status of your church/organisation (Incorporated, Company, or a person/entity acts as trustee) is important in the execution of loan/mortgage documents) (refer <http://www.buv.com.au/resources/finance-admin/>).

For Baptist Churches in NSW who have not yet passed the formal resolutions authorising the Baptist Churches of New South Wales Property Trust (PT) to execute documents on their behalf in respect of this and any other matters pertaining to this loan, the required procedure, forms and specimen resolutions required may be obtained from the internet website of the Baptist Union. Please ensure your Church has discussed the loan proposal with the PT to ascertain if there are any additional requirements which you need to comply with for any loan to be made available.

Baptist Churches in Victoria, Tasmania, South Australia, Northern Territory and Western Australia should contact the respective BFS Relationship Manager to ascertain their requirements for execution of the loan documents where the Baptist Union acts in its capacity as Trustee for the property held on behalf of the Church.

## Resolutions

Must be passed in accordance with the requirements of the Trust or of the Constitution of the church or organisation.

## Loan Terms and Conditions

### Letter of Offer

On approval of a loan, BFS will issue a Letter of Offer and sent to the Church and Organisations for their acceptance.

### Loan Offset

A Loan Offset Savings Account may be established in the name of the borrower on which interest will be calculated at a rate below the variable interest rate applying to the loan (refer to the [Loan Products, Terms, Rate and Fees](#)) and applied to reduce the interest charged on the loan at the end of each month.

The balance of the Loan Offset Savings Account is held on an 'at call basis' and may be withdrawn at any time. The account is ideal as a "cash management" account where funds may be transferred online to and from an operating account.

This Account can provide confidence to members from a Church congregation who are prepared to make Interest Free Loans (or low interest loans) to the borrower for a period of time with the assurance of the funds being available at call irrespective of the status of the Church loan account.

### Loan to Value Ratio (LVR)

**Baptist Affiliated Entities:** Loans may not exceed 75% of an independent market valuation of the security.

**Non-Baptist Affiliated Entities:** Loans may not exceed 67% of an independent market valuation of the security.

For some loan applications a lower LVR may apply.

### Pledges & Commitments

When contemplating a new project, the church may carry out a pledge drive and request their members to respond with written commitments to assist by:

- A one-off donation.
- Ongoing weekly, monthly 'over and above' payment, and
- **An interest free loan** or low interest loan.

A summary of the results of this drive should be included with the loan application to support the capacity of the church to complete the project and to repay the loan.

**Luke 14:28-30:** "When any of us begin a project we count the cost and estimate whether or not we can afford to complete it. Jesus gives us the example of building a tower. If a man was to not count the cost and go ahead and start building and have to stop, he would be ridiculed."

### Progress Payments

For building projects, a **Project Manager or Quantity Surveyor** or any similarly qualified competent person (as approved by BFS) will certify completion/value of the work and authorise the drawdown of progress payments on a loan. Unless agreed by BFS, the borrower will use their own funds prior to any of the loan being advanced.

### Project Manager

Buildings to be constructed shall be overseen by a competent person appointed by the Church and/or organisation and who has authority to approve **progress payments** based on the cost of works completed.

Examples of a 'competent person' are a qualified Architect, Quantity Surveyor, experienced Project Manager, Licensed Tradesmen or Builder.

## Loan Security

### Security for the loan

Generally, security is by way of first registered mortgage over real estate. BFS does not accept second mortgage security.

BFS will send a copy of the **Letter of Offer** for secured loans to the BFS Solicitor in the State of operation requesting that they draw up and arrange execution of the loan and security documentation and attend to settlement of the loan where necessary. Borrowers can obtain a quotation of legal costs direct from the respective BFS solicitor.

BFS requires the borrower to maintain their main financial institution account with BFS as a condition of approval for a secured loan.

### Stamp Duty

Refer to [www.business.gov.au/finance/taxation/stamp-duty](http://www.business.gov.au/finance/taxation/stamp-duty) to ascertain whether Stamp Duty is payable in your State and at what rate. It may be payable on both the property purchase and on the mortgage.

### Valuations

Where applicable, BFS must provide instructions to an approved valuer for a current written market valuation for mortgage purposes that can be relied upon by BFS. This must be a Registered Valuer independent of the borrower.