

Diocese of San Diego

POLICY ON LOANS TO PARISHES

Parishes may borrow funds from the Catholic Account for Parishes and Schools, San Diego (CAPS), and/or the Knights of Columbus, to finance parish or school projects provided that funds on deposit in the CAPS are available to respond to loan requests, and provided that:

1. in a meeting of the parish finance council, as recorded in its minutes, the council has voted approval of both the total project cost and loan request;
2. the purpose of the loan, the total project cost, and the contractor and architect are approved by the diocese;
3. the parish already has **on deposit** in the CAPS one-half of the approved cost of the project for which the loan is sought;
4. indebtedness will not jeopardize pastoral and financial responsibilities, such as:
 - salaries and benefits;
 - utilities and maintenance;
 - program expenses;
 - diocesan assessments;
 - participation in special collections;
5. there is an agreed upon plan for repayment of the loan.

Implementation

1. Normally the diocese will not approve a loan repayment plan which provides for annual debt service (principal and interest) from the parish which would exceed 25% of the ordinary income (as defined for diocesan tax purposes) of the parish for the prior year as reflected on its financial statement. Typically loans for construction are provided by CAPS and upon completion of the project the CAPS loan is replaced with a loan from the Knights of Columbus.
2. The amortization period of the debt service will be dictated by the size of the loan and the ordinary income of the parish. Normally, a loan of less than \$500,000 must be repaid within five years and a loan for \$500,000 or more must be repaid within a reasonable period of time. In no case will a loan amortization period exceed 15 years from CAPS. Loans from the Knights of Columbus may be up to 20 years.
3. Requests for exceptions to this policy will be addressed by the Diocesan Finance Officer, who will make a recommendation to the Bishop for his consideration.
4. The rate of interest currently charged on CAPS loans is recalculated periodically and higher than the rate earned on deposits. CAPS loans have a variable interest rate and loans from the Knights of Columbus have a fixed interest rate for the term of the loan.