

FUNDING FOR CHURCH BUILDINGS: LOANS

FUNDING SHEET 6

It may be worth taking out loans to enable work to proceed in one continuous operation, whilst fund raising is going on. Obviously this will be dependent on the ability of the parish to cope with the burden of repayment. You need to remember however, that if the project work has been paid for by means of a loan, much of the impetus for fund-raising will have been lost and it will not be easy to encourage support to pay off the loan, not to mention the interest. This could result in a parish becoming saddled with a debt over a long period. It is essential therefore to maintain the momentum of the appeal and to keep the fund-raising period to a minimum.

Local sources

It may be that there are people in the congregation who are able to offer loan finance. In the current climate of exceptionally low interest rates, people may be willing to do this on a no-interest basis, and you may even be lucky enough to have part or all of the loan converted into a gift at a later stage.

Bank loans

At the other extreme is a loan from a high street bank. This is usually by far the most expensive way of borrowing money, and you are strongly advised to investigate the possibility of loans from other sources before opting for this.

National Sources

Methodist Chapel Aid (www.methodistchapel.co.uk, Tel 01904 622150) is a UK authorised bank which focuses on offering lending facilities to any Christian church or associated organisation to support development projects of varying sizes. They may be able to offer loans of up to £750,000 at competitive interest rates (3.17% APR in August 2013) and may be cost-effective alternative to a standard high-street bank.

Diocesan Loans

Applications for loans from the Diocesan Board of Finance may be made in respect of repairs to church fabric (excluding organs, bells and ordinary repair of fixtures and fittings). Loans of up to £20,000 which relate to works carried out under faculty are available to all parishes subject to two conditions : that they are up to date with parish share and can demonstrate the affordability of repayments. Loans are repaid in equal annual instalments over a maximum period of five years. Interest is charged annually in arrears at Bank of England base-rate. There is nothing to prevent early repayment if the loan is only needed for a shorter period.

In exceptional cases, it may be possible for the DBF to make larger loans. These will normally be on the basis of a back-to-back loan from the CCLA (formerly the Central Board of Finance Investment Office) and therefore a specific interest rate agreed as part of the application process. You should note at the outset that this will require a fully detailed repayment plan, including fundraising activities and materials, and will be considered by the DBF on a case-by-case basis. Enquiries about diocesan loans should be made to Ben Preece Smith at Church House. Telephone: 01452 410022 Ext: 236 E-Mail: bpreecesmith@glosdioc.org.uk

If you need further advice in relation to this guidance sheet, please contact us at Church House on 01452 410022 or by email at dac@glosdioc.org.uk