

## BUILDING OUR FUTURE 2016

WILLIAMSBURG UNITARIAN UNIVERSALISTS

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### BOF MORTGAGE FINANCING

Our Phase 1 expansion has a total project cost ceiling of \$2,250,000 with Capital Campaign pledges projected to raise \$1,450,000 of this amount between 2015 and 2017. The remainder will be provided by an \$800,000 mortgage.

The Finance Committee appointed a subcommittee consisting of Ben Puckett, Dave Banks, and Dave Neiman to lead the effort to obtain financing. Six banks were interviewed, and four competitive proposals were received. After negotiations, Union Bank's proposal was recommended as the most responsive to WUU's needs.

**Key Loan Terms:** The final terms provide for an initial 30 month interest only period beginning on the July 1 closing date and ending 12/31/17. During this period, WUU will draw funds as needed to pay construction costs. Accumulated pledge payments from the capital campaign will be used to pay initial construction costs, and the first "draw" on the loan is not expected to occur until early 2016. The 30 month period will keep debt service obligations low during the construction period and until all capital campaign pledges are paid.

Beginning in 2018, the loan will convert to an amortizing loan with a 25 year term. The loan is guaranteed by the bank with no balloon payments. WUU may prepay the loan in full or partially at any time without penalty.

**Rates:** The bank has offered a choice of rates for an initial term: 3.69% for 5 years or 3.99% for 7 yrs. This initial fixed rate extends from the initial 30 month interest only period into the amortizing period. Following the initial period, the rate will be reset for additional periods of either 5 or 7 years (at WUU's election) based on the following formulas:

5 year reset = prevailing 5 year Treasury rate + 2.40%

7 year reset = 5 year Treasury + 2.75%

These rates were the most favorable among the 4 proposals.

**New Debt Service:** WUU's new annual mortgage payment, once the loan enters the amortizing phase, will be approximately \$50,000. The Finance Committee, chaired by Jim

Kent, has considered the mortgage payments in its long range budget forecasting and will continue to do so. The committee and the Board is sensitive to the need to grow membership and pledge income, as well as explore sources of additional income to keep the operating budget in balance. A task force on alternative sources of income, chaired by Roy Snyder, has completed a detailed report for the Board and a future article will provide more detail on this effort.

In sum, this financing plan provides a fully guaranteed loan with flexibility to make larger payments (i.e., prepay) to shorten the term if deemed advantageous, while keeping our debt service obligation low during the early period of finishing construction and collecting campaign pledges.

**Questions** about the financing plan may be directed to Jim Kent, Chair of the Finance Committee, or to anyone on the mortgage subcommittee.

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