

Church Extension Fund Policies and Guidelines



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I. Purpose

WatersEdge Ministry Services (WatersEdge) offers Demand and Term Deposits and Church Building Loans to Southern Baptist entities. WatersEdge is a tradename of The Baptist Foundation of Oklahoma (Foundation), a not-for-profit corporation registered and operating under the laws of the State of Oklahoma.

II. Scope

The Church Extension Fund Policies and Guidelines (Policies and Guidelines) govern the administration of the Demand and Term Deposits and Church Building Loans offered by WatersEdge.

III. Responsibility

The Ministry Services Committee (Committee), a standing committee of the Board of Directors of the Foundation (Board) shall have the responsibility to oversee the Policies and Guidelines, recommending revisions to the Board, as needed.

The Risk Assessment Committee (Internal Staff Committee) shall have the responsibility to establish Demand and Term Deposit and Church Building Loan interest rates according to established key components. This committee shall be made up of the President/CEO of the Foundation, President/Chief Lending Officer of WatersEdge, Chief Investment Officer, Chief Operating Officer, Chief Financial Officer, Financial Analyst & Risk Manager, and Ministry Services Officer.

IV. Demand and Term Deposits

Guiding Principles

1. WatersEdge offers Demand and Term Deposits to Southern Baptist entities and charities with like beliefs and commitments as The Baptist General Convention of the State of Oklahoma (collectively, Clients).
2. Because the Foundation is a not-for-profit, religious entity providing the services to Clients, the investments that it offers through WatersEdge may either be registered or exempt from registration in the various states or jurisdictions in which they are offered or sold. Investments offered by WatersEdge are not insured by the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC) or any other federal or state agency. WatersEdge investments are only offered through its Offering Circular. Consult the Offering Circular for details.
3. These Policies and Guidelines reflect the commitment of WatersEdge to act prudently in the investment of funds entrusted to it. The payment of principal and interest to a Client is dependent upon WatersEdge financial condition and the funds available to it. Consult the Offering Circular for a more detailed description of the risk factors.

Policy Statements

1. **Agreement.** A Demand and Term Deposits Master Agreement, setting forth the terms of agreement between the Client and WatersEdge for Demand and Term Deposits, shall

be signed by authorized representatives of both entities. The agreement shall apply to all of the Client's Demand and Term Deposits accounts administered by WatersEdge.

2. **Classification of Deposits.**

2.1 Term Deposits.

- 2.1.1 One Month Term Deposit
- 2.1.2 Three Month Term Deposit
- 2.1.3 Six Month Term Deposit
- 2.1.4 Nine Month Term Deposit
- 2.1.5 One Year Term Deposit
- 2.1.6 Two Year Term Deposit
- 2.1.7 Three Year Term Deposit
- 2.1.8 Five Year Term Deposit

2.2 Demand Deposits.

- 2.2.1 Enhanced Cash Fund

3. **Deposits Allocation Form.** A Demand and Term Deposits Allocation Form, setting forth the Client's desired asset allocation, shall be submitted for each Demand and Term Deposits account.

4. **Contributions of Cash.** The Client shall transfer funds to a Demand and Term Deposits account via personal delivery, mail, special delivery service, wire transfer, or ACH transfer.

4.1 Term Deposits. Term Deposits may be established on any business day. Subsequent contributions designated for Term Deposits will be used to establish new Term Deposits.

4.2 Demand Deposits. Demand Deposits may receive contributions on any business day.

5. **Contributions of Noncash Financial Assets.** A Client may transfer noncash financial assets (stocks, bonds, royalty interests, etc.) to a Demand and Term Deposits account upon prior agreement by WatersEdge. Such assets shall be sold with the net proceeds used to purchase deposits offered by WatersEdge.

6. **Renewal.**

6.1 Term Deposits. Automatic renewal of Term Deposits, including interest earned, is assumed unless written notice is received from an authorized signer within 15 days of the maturity date (grace period), subject to the terms of the Client's state specific Offering Circular. Renewal of Term Deposits will be at the prevailing rates.

6.2 Demand Deposits. Demand Deposits will remain invested until written notice of withdrawal or reallocation is received from an authorized signer.

7. **Reallocation.** The Client may reallocate its investments between Term Deposits and Demand Deposits, as follows:

7.1 Term Deposits. Term Deposits may be reallocated within the grace period to new Term Deposits and/or Demand Deposits. If reallocated to Demand Deposits, funds may be immediately invested.

7.2 Demand Deposits. Funds may be reallocated to Demand Deposits on any business day.

8. **Distributions.** The Client shall direct WatersEdge as to the distribution of funds.

8.1 Term Deposits. Term Deposits may be withdrawn at maturity without penalty.

8.2 Demand Deposits. Distributions shall be made upon written request from an authorized signer.

9. **Termination.** The Client may terminate its Demand and Term Deposits account(s) upon written notification from an authorized signer, as follows:
 - 9.1 Term Deposits.
 - 9.1.1 Termination of a Term Deposit at maturity incurs no penalty.
 - 9.1.2 A partial withdrawal shall be considered as an early redemption of the Term Deposit, with penalty.
 - 9.2 Demand Deposits. Demand Deposits will be distributed without penalty.
10. **Penalty for Early Withdrawal of Term Deposits.**
 - 10.1 For Term Deposits that are twelve (12) months or less, the penalty is ninety (90) days of interest. The penalty shall be limited to accrued interest and shall not invade principal.
 - 10.2 For Term Deposits that are longer than twelve (12) months, the penalty is one hundred and eighty (180) days of interest. The penalty shall be limited to accrued interest and shall not invade principal.
11. **Statements.** WatersEdge shall make available to the Client monthly statements which may be accessed through the WatersEdge secure website.
12. **Exceptions.** Exceptions to the above stated policies shall require the approval of the Board.

Guidelines

The Guidelines contained in these Policies and Guidelines are intended to be a guide to all parties involved. Changes to these Guidelines may be recommended by the Committee to the Board for approval.

Deviations from these Guidelines may occur from time to time. Such deviations are not considered violations of these Policies and Guidelines.

1. **Minimum Deposit.** The minimum deposit to establish a Demand and Term Deposits account is One Thousand (\$1,000) Dollars.
2. **Minimum Balance.** The minimum balance to maintain a Demand and Term Deposits account is One Thousand (\$1,000) Dollars.
3. **Transactions.** Transactions received after 3:00 pm CST will be processed the next business day.
4. **Distributions.**
 - 4.1 Term Deposits. Funds shall be distributed within two business days upon receipt of written notification from an authorized signer.
 - 4.2 Demand Deposits. Demand Deposits shall be distributed within two business days upon written notice from an authorized signer.
5. **Interest Rates.**
 - 5.1 The Committee shall establish interest rates as market conditions dictate.
 - 5.2 General Demand and Term Deposits Guidelines.
 - 5.2.1 Interest rates are set effective as of the first day of each month.
 - 5.2.2 Interest rates are quoted as annualized rates.
 - 5.2.3 Interest is paid at maturity for Term Deposits and paid the last day of the month for Demand Deposits.

6. **Miscellaneous.**

- 6.1 Amount of Offering. The Risk Assessment Committee shall determine the total amount of the offering, based on anticipated growth and the past year's performance.
- 6.2 Offering Circular. The Offering Circular shall comply with the terms of the NASAA SOP, with exceptions to be made for differences in state law.

V. Church Building Loans

Guiding Principles

1. The Church Building Loan program of WatersEdge is a credit assistance program for the benefit of the Members of the Foundation. Members are defined as Southern Baptist entities which are cooperating with the Baptist General Convention of the State of Oklahoma or a state Southern Baptist convention with like beliefs and commitments as the Baptist General Convention of the State of Oklahoma.
2. Loans are made to qualifying Members for construction and permanent financing loans, acquisition of property and buildings, and other church related purposes.
3. The funds loaned under this program are not the property of WatersEdge, but are funds held for the benefit of Baptist and charitable causes. The interest received from the Church Building Loan portfolio is distributed to charitable beneficiaries.
4. The program is administered by the Committee. In discharging its duties of approving loans to Members, the Committee is guided by the Church Extension Fund Policies and Guidelines.

Policy Statements

1. **Minimum Eligibility.**

- 1.1 Members applying for loans must be able to demonstrate to the satisfaction of WatersEdge regular contributions to mission causes through the Cooperative Program. In the event a Member ceases to cooperate with the Baptist General Convention of the State of Oklahoma, or a state Southern Baptist convention in the state in which the Member is located, **the remaining indebtedness shall become due and payable on call.**

2. **Debt Service Ratio.**

- 2.1 No loan shall be made where installment payments on indebtedness, including payments on a loan to WatersEdge, exceeds twenty-five (25%) percent of the average annual budget receipts for the two (2) previous years. Members receiving loans from WatersEdge shall agree to not increase indebtedness beyond the twenty-five (25%) percent debt ratio limit without prior written permission from WatersEdge. **Failure to secure such written permission may result in the loan becoming due and payable on call.**
- 2.2 Exception to the debt service ratio requirement set forth above may be made when a Member has completed a capital fund raising program that seeks to raise funds toward the overall cost of a project. In such cases, an amount equal to twenty-five (25%) percent debt service ratio may be loaned to the Member, plus an amount equal to one-half (1/2) of the total outstanding amount pledged.
- 2.3 Any loan request with a debt service ratio in excess of twenty-seven and one-half (27.5%) percent shall be approved by the Board.

3. Loan to Value Ratio.

- 3.1 No loan shall be made where the loan amount exceeds fifty (50%) percent of the market value of the property and facilities offered as collateral. The value of new construction shall be included in the market value.
- 3.2 Exception to Loan to Value Ratio.
 - 3.2.1 Exception to the loan to value ratio requirement set forth above may be made when a Member is borrowing funds for the purchase, construction, or renovation to a Member owned parsonage. In such cases, an amount equal to seventy-five (75%) percent of market value may be loaned.
 - 3.2.2 Exception to the loan to value ratio requirement set forth above may be made when a loan is made to the Baptist General Convention of the State of Oklahoma or a Southern Baptist entity or is guaranteed by the Baptist General Convention of the State of Oklahoma or a Southern Baptist entity. In such cases, an amount equal to seventy-five (75%) percent of market value may be loaned.
 - 3.2.3 Exception to the loan to value ratio requirement set forth above may be made when, at the discretion of WatersEdge, the loan has no form of collateral and is made on an unsecured basis on loans of Fifty Thousand (\$50,000) Dollars or less.
- 3.3 Any loan request with a loan to value ratio in excess of fifty-five (55%) percent shall be approved by the Board.

4. Collateral.

- 4.1 Church Building Loans shall be secured by a first mortgage on real property owned by the Member. Construction, renovation, or purchase of a cabin on leased Southern Baptist campgrounds will require the main property and facilities of the Member as collateral.
- 4.2 Exception to the collateral requirement set forth above may be made when, at the discretion of WatersEdge, the loan has no form of collateral and is made on an unsecured basis on loans of Fifty Thousand (\$50,000) Dollars or less.
- 4.3 WatersEdge shall fund an approved loan to a Member purchasing land and/or buildings after all terms and provisions for purchase of the property have been fulfilled by both seller and buyer.

5. Lending Limit.

- 5.1 No single loan or combination of loans shall be made where the total amount loaned to a Member exceeds Ten Million (\$10,000,000) Dollars.
- 5.2 Any single loan or combination of loans made to a Member in excess of Ten Million (\$10,000,000) Dollars shall be approved by the Board.
- 5.3 The lending limit for loans with no form of collateral and made on an unsecured basis shall not exceed Fifty Thousand (\$50,000) Dollars. A Member requesting a loan made on an unsecured basis cannot exceed total indebtedness of Fifty Thousand (\$50,000) Dollars.
- 5.4 WatersEdge may participate with other lenders in loans made by WatersEdge.

6. Approval of Loan Requests. Final approval or denial of loan requests shall be made at a regular or special meeting of the Committee and/or the Board.

7. Exceptions. Exceptions to the above stated policies shall require the approval of the Board.

Guidelines

The Guidelines contained in these Policies and Guidelines are intended to be a guide to all parties involved. Changes to these Guidelines shall be recommended by the Committee to the Board for approval.

Deviations from these Guidelines may occur from time to time. Such deviations are not considered violations of these Policies and Guidelines. All deviations shall be brought to the attention of the Committee for consideration in advance, if possible. Otherwise, the Committee shall be advised of the deviation at the next scheduled meeting.

1. **Administrative Guidelines.**

- 1.1 Written Budget. Members applying for loans must have a written budget plan which is adopted at least annually by congregational action and must give evidence of a consistent pattern of church financial operations. Exceptions may be made on loan requests of less than Seventy-Five Thousand (\$75,000) Dollars.
- 1.2 Location and Need. Members applying for loans shall be located in communities which represent opportunities for building and maintaining a church. Members shall comply with city, county and state fire codes and building regulations.
- 1.3 Incorporation. Members applying for loans must be incorporated in the state in which the Member is located.

2. **Application Process.**

- 2.1 All applications for loans shall be made on forms provided by WatersEdge.
- 2.2 Information submitted by the Member on the application forms must be current and complete.
- 2.3 When applications have been received and evaluated, a representative of WatersEdge shall arrange a meeting with the Member. The purpose of such meetings shall be to discuss the loan request, actions required to process the loan and mortgage property, and WatersEdge purposes and obligations in the administration of the Church Building Loan program.
- 2.4 A WatersEdge representative will, prior to the approval of any loan request, inspect the real property and improvements that are to be used as collateral for the loan.
 - 2.4.1 Exception to the inspection of real property and improvements requirement set forth above may be made when, at the discretion of WatersEdge, the loan has no form of collateral and is made on an unsecured basis.
- 2.5 A WatersEdge representative will perform a market value analysis on real property pledged as collateral for a loan.
 - 2.5.1 Exception to the market analysis requirement set forth above may be made when, at the discretion of WatersEdge, the loan has no form of collateral and is made on an unsecured basis.

3. **Interest Rates.**

- 3.1 The Committee shall establish interest rates as market conditions dictate. The interest rate charged to Members shall be the rate in effect when the loan documents are executed.
- 3.2 Members shall have the option of choosing from the currently available adjustable rates of interest:
 - 3.2.1 **1 Year Adjustable Interest Rate:** This interest rate will be adjusted to WatersEdge's 1 Year Adjustable Interest Rate on each anniversary date of the original promissory note. The interest rate may not be increased or decreased more than one and one-half (1½%) percent (150 basis points)

- per adjustment or more than five (5%) percent (500 basis points) over the duration of the loan.
- 3.2.2 **3 Year Adjustable Interest Rate:** This interest rate will be adjusted to WatersEdge's 3 Year Adjustable Interest Rate on each third (3rd) year anniversary date of the original promissory note. The interest rate may not be increased or decreased more than three (3%) percent (300 basis points) per adjustment or more than five (5%) percent (500 basis points) over the duration of the loan.
- 3.2.3 **5 Year Adjustable Interest Rate:** This interest rate will be adjusted to WatersEdge's 5 Year Adjustable Interest Rate on each fifth (5th) year anniversary date of the original promissory note. The interest rate may not be increased or decreased more than five (5%) percent (500 basis points) per adjustment over the duration of the loan.
- 3.2.4 **7 Year Adjustable Interest Rate:** This interest rate will be adjusted to WatersEdge's 7 Year Adjustable Interest Rate on each seventh (7th) year anniversary date of the original promissory note. The interest rate may not be increased or decreased more than five (5%) percent (500 basis points) per adjustment over the duration of the loan.
- 3.2.5 **10 Year Adjustable Interest Rate:** This interest rate will be adjusted to WatersEdge's 10 Year Adjustable Interest Rate on each tenth (10th) year anniversary date of the original promissory note. The interest rate may not be increased or decreased more than five (5%) percent (500 basis points) per adjustment over the duration of the loan. The 10 Year Adjustable Interest Rate is not available for loans with no form of collateral and made on an unsecured basis.
- 3.3 The interest rate shall be fixed for the adjustable rate period chosen by the Member at the time of closing.
- 3.4 Loans will be amortized at the time of closing and again at the date of each adjustable interest rate period chosen by the Member. Monthly installment payments shall include accrued interest on the unpaid principal balance and a monthly principal reduction necessary to retire the loan within the remaining term of the loan.
4. **Method of Payment.**
- 4.1 The Permanent Financing Phase shall not exceed twenty-five (25) years.
- 4.2 Prepayment of the principal may be made at any time without penalty.
- 4.3 Monthly loan payments may be accomplished by automatic bank draft by WatersEdge on the Member's account.
- 4.4 Transactions received after 3:00 pm CST will be processed the next business day.
- 4.5 A borrower requesting the deferment of monthly payments of principal and interest during the Permanent Financing Phase or interest only payments during the Construction Phase of any loan shall be considered by the Committee.
5. **Mortgage Title Insurance.**
- 5.1 A mortgage title insurance policy from a mortgage title insurance underwriter shall be required on loans in excess of Fifty Thousand (\$50,000) Dollars on real property used as collateral. A mortgage title insurance commitment must be received and all requirements, if any, satisfied before loan documents can be executed.
- 5.2 A mortgage title report from a mortgage title insurance underwriter shall be required on loans up to and including Fifty Thousand (\$50,000) Dollars on real property used as collateral. A mortgage title report must be received and all requirements, if any, satisfied before loan documents can be executed.

6. **Types of Loans.**

- 6.1 Construction Loans. When property market value is sufficient, a loan may be established before the project is begun and the loan funds used for construction. Upon completion of the project or up to twenty-four (24) months, whichever is earlier, fully amortized payments shall begin with monthly principal and interest payments required.
 - 6.1.1 The interest rate charged during the Construction Phase shall be at the 1 Year Adjustable Interest Rate and shall be fixed during the full term of the Construction Phase, not to exceed twenty-four (24) months. A Construction Phase exceeding twenty-four (24) months shall require approval of the Committee and the interest rate will be adjusted to the current 1 Year Adjustable Rate of Interest.
 - 6.1.2 Monthly interest only payments shall be required during the Construction Phase. The interest payments will be the accrued interest based on the daily principal balance during the month. The Member will be invoiced for accrued interest due at the end of each calendar month during the Construction Phase, the amount of which is due upon receipt.
 - 6.1.3 At the conclusion of the Construction Phase, the outstanding principal balance will be automatically converted to the Permanent Financing Phase at the adjustable interest rate previously chosen by the Member.
- 6.2 Amortizing Loans. WatersEdge will make fully amortizing loans for acquisition of property and buildings and other church related purposes. These loans will be amortized for up to twenty-five (25) years and will be structured under one of the currently available adjustable interest rates as chosen by the Member.
- 6.3 Unsecured Loans. Loans of Fifty Thousand (\$50,000) Dollars or less with no form of collateral may be made to Members under the following guidelines:
 - 6.3.1 Loans may be made to fund any church related project.
 - 6.3.2 Loans made on an unsecured basis shall have a term not to exceed seven (7) years and will be based on a seven (7) year amortization.
 - 6.3.3 Borrower shall choose between one of four interest rate options: 1 Year Adjustable Rate, 3 Year Adjustable Rate, 5 Year Adjustable Rate, or 7 Year Adjustable Rate based on a seven (7) year amortization.
 - 6.3.4 The decision to approve loans on an unsecured basis is at the sole discretion of WatersEdge.
- 6.4 Line of Credit. A line of credit may be made to Members under the following guidelines. Unless otherwise stated, all other Policies and Guidelines shall apply:
 - 6.4.1 Initial application for a line of credit shall be made on forms provided by WatersEdge.
 - 6.4.2 A line of credit of less than Fifty Thousand (\$50,000) Dollars may be made on an unsecured basis. A line of credit greater than Fifty Thousand (\$50,000) Dollars but not greater than Five Hundred Thousand (\$500,000) Dollars shall be secured by a first mortgage on real property owned by the Member. Member shall meet the debt service and loan to value requirements as outlined in Policy Statements V.2 and V.3 above and the Mortgage Title Insurance requirements as outlined in Guidelines VI.5 above.
 - 6.4.3 A line of credit shall be made on a one (1) year term and may be renewed annually. Renewal of a line of credit shall be at the sole discretion of WatersEdge. A Member requesting renewal of an existing line of credit shall submit an income statement reflecting the last fiscal year's income and expenses and an income statement reflecting current year-to-date income and expenses.
 - 6.4.4 The interest rate applied to a line of credit shall be the 1 Year Adjustable Interest Rate in effect at the time of application or at the time of renewal of

- an existing line of credit. The interest rate shall be fixed during the one (1) year term of the line of credit.
- 6.4.5 Members obtaining a line of credit may make periodic advances and paydowns as needed.
 - 6.4.6 Payment of accrued interest shall be required on a monthly basis. Member will be invoiced for accrued interest as of the end of each calendar month, the amount of which is due upon receipt.
 - 6.4.7 A line of credit with an outstanding principal balance that is not renewed, either at the discretion of WatersEdge or by choice of the Member, can be converted to a conventional amortizing loan.
 - 6.4.8 Upon initial approval of a line of credit, the Member shall pay costs as outlined in the Fee Schedule in Guidelines VI.10. Upon renewal of a line of credit, the Member shall pay a renewal fee of one-quarter (0.25%) percent of the amount of the line of credit.
7. **Insurance.** Members shall maintain full coverage insurance on properties held as collateral on loans with WatersEdge. Coverage shall include fire and extended coverage (including flood insurance, if property is located in a recognized flood plain) during the full term of the loan, in an amount necessary to protect the loan. The policy shall list WatersEdge as loss payee. Proof of insurance shall be required prior to closing and throughout the term of the loan.
8. **Future Advance Clause.**
- 8.1 The Future Additional Advance (Advance) clause permits a borrower, on written request and approval of WatersEdge, to draw amounts or re-advance prepayments of principal. The prepayments that could be drawn upon would generally be limited to principal prepayments **in excess** of regularly scheduled payments of principal and interest. WatersEdge would have sole discretion over approval of the Advance.
 - 8.2 Following church approval, the borrower shall submit a written request along with current financial information, stating the amount of the Advance. The amount of the Advance shall not exceed the amount of prepayment of principal and could, in some instances, be an amount less than the prepayment of principal.
 - 8.3 The amount of the Advance would be subject to the applicable amortization schedule in effect at the time the request is made and approved by WatersEdge. If an amount requested would jeopardize the remaining amortization of the loan based on the current monthly payment, the amount of the monthly payment would increase so as to fully amortize the loan for the remaining term of the loan. However, the increase in the monthly payment based on the Advance and the new principal balance of the loan shall not exceed the twenty-five (25%) percent debt service ratio of the borrower, based on current financial information of the borrower, as outlined in V. Policy Statements; 2. Debt service ratio; 2.1 of the Policies and Guidelines in effect at the time of the Advance.
 - 8.4 There shall be a fee of one-quarter (0.25%) percent of the amount of the Advance for each Advance made under the terms of this clause.
 - 8.5 The approval of any Advance will be at the sole discretion of WatersEdge, whether or not the borrower meets the condition of the Future Advance Clause.
9. **Loans Secured by WatersEdge Term Deposit Accounts.**
- 9.1 Members who have existing Term Deposits or agree to establish Term Deposits with WatersEdge may, under certain circumstances, pledge Term Deposits as collateral on a loan with WatersEdge by giving WatersEdge the Right-of-Offset against such Term Deposits for amounts owed to WatersEdge by the Member.
 - 9.2 Members agree that pledging Term Deposits as collateral on a loan with WatersEdge through the Right-of-Offset will result in the Member not having access to all or a

portion of the Term Deposits which may be needed to cover the outstanding principal balance plus accrued interest.

- 9.3 Members agree to grant WatersEdge the Right-of-Offset against Term Deposits pledged as collateral on a loan with WatersEdge. This grants WatersEdge the right, in the event WatersEdge declares the loan to be in default and notifies the Member in writing of the default, to offset Term Deposits pledged as collateral to pay off all indebtedness of the Member, to include all unpaid principal and accrued interest.
- 9.4 Members agree to pay an interest rate on a loan secured by the Member's Term Deposits of two (2%) percent above the rate being paid on the Member's Term Deposits. In those instances that multiple Term Deposits are used as collateral to secure a loan, Member agrees to pay an interest rate on the loan of 2% above the highest rate of the Term Deposits being pledged as collateral to secure the loan. Term Deposits pledged as collateral on a loan with WatersEdge will continue to accrue interest at the stated interest rate of the Term Deposits.
10. **Fee Schedule.** Fees are charged by WatersEdge to cover its administrative and overhead costs.
- 10.1 Origination Fee. Member shall be responsible for paying an origination fee. The origination fee shall be based on the loan amount at origination as follows:
- 10.1.1 Ten Thousand (\$10,000) Dollars up to and including Three Hundred Thousand (\$300,000) Dollars – One (1%) percent, maximum of Three Thousand (\$3,000) Dollars
- 10.1.2 Three Hundred Thousand and One (\$300,001) Dollars up to and including Six Hundred Thousand (\$600,000) Dollars – Three Thousand (\$3,000) Dollars plus one-half (0.5%) percent of amount over Three Hundred Thousand (\$300,000) Dollars
- 10.1.3 Six Hundred Thousand and One (\$600,001) Dollars and over – Four Thousand, Five Hundred (\$4,500) Dollars plus one-quarter (0.25%) percent of amount over Six Hundred Thousand (\$600,000) Dollars
- 10.2 Mortgage Filing Fee (if applicable). Member shall be responsible for paying the fee to file the mortgage and any other documents necessary to perfect WatersEdge's priority lien on the real property being used as collateral.
- 10.3 Mortgage Title Insurance/Mortgage Title Report (if applicable). Member shall be responsible for paying the costs associated with providing WatersEdge with a clear and marketable title to the real property being used as collateral.
- 10.4 Loan Document Fee. Member shall be responsible for paying a loan document fee.
- 10.5 Other Associated Costs. Member shall be responsible for any other costs associated with completing the transaction.
- 10.6 All fees will be collected when the loan is closed.
11. **Reserve for Loan Loss.** Understanding that the Church Building Loan portfolio is not a risk-free investment for WatersEdge, a Reserve for Loan Loss (RLL) is established to prevent significant charges to operating income as a result of any losses sustained from loan defaults.
- 11.1 The RLL shall be calculated according to Generally Accepted Accounting Principles (GAAP). GAAP states that the RLL is determined by evaluating three components: loans that have not been individually identified as being impaired, loans individually determined to be impaired, and loans acquired with deteriorated credit quality. Quarterly, the President/Chief Lending Officer shall review loans on the Watch List of the Ministry Services Report and identify impaired loans, if any. The Watch List is a list of loans established by the President/Chief Lending Officer as having the potential to be identified as substandard, doubtful, or loss loans at some future point. An impaired loan is any loan with expected loss. Any loan identified as impaired will have the amount of the expected loss specifically set aside in the RLL.

- 11.2 The RLL shall have a target of 0.8% of the remainder of the loan portfolio not identified as impaired.
 - 11.3 The RLL shall be funded from current income from the Church Building Loan portfolio on a quarterly basis, as necessary.
 - 11.4 The Committee shall approve any special allocation of the RLL to specifically identified substandard, doubtful, or loss loans.
 - 11.5 The Committee shall approve any charges to the RLL due to loan write-offs. Charges to the RLL shall be approved by the Board.
12. **Miscellaneous.**
- 12.1 A loan shall be scheduled for closing only after final inspection is made and approved by a WatersEdge representative, title policy/title report requirements are satisfied, and proof of insurance coverage is provided.
 - 12.2 WatersEdge will pay the cost of mortgage tax associated with the transaction.
 - 12.3 The abstract of the real property being used as collateral shall be stored off the Member's premises for safekeeping during the term of the loan. The cost of rebuilding a lost abstract will be the responsibility of the Member.

VI. Cash/Liquidity

WatersEdge shall maintain cash, cash equivalents, readily marketable securities, and available lines of credit at a value of at least eight (8%) percent of the principal balance of outstanding Demand and Term Deposits. Available lines of credit shall not exceed two (2%) percent of the principal balance of total outstanding Demand and Term Deposits.

VII. Capital Adequacy

WatersEdge shall maintain net assets at an amount equal to five (5%) percent or more of total assets, as determined at the end of each fiscal year.

VIII. Investment Policy Statement

Proceeds from the sale of Demand and Term Deposits and repayments of principal on loans made by the CEF shall, to the extent possible, be first reinvested in new loans. Any Demand and Term Deposits proceeds and principal repayments on loans not applied to new loans will be invested pursuant to WatersEdge's Investment Policy Statement as follows.

It is WatersEdge's policy to maintain cash and cash equivalents in an amount expected to be sufficient to meet its interest and principal payment obligations on outstanding Demand and Term Deposits and to support its loan program. Funds in excess of its anticipated short-term operational needs are invested in investment portfolios administered by WatersEdge, bonds and other vehicles.

This Policy Statement is geared to achieving a yield on investments while stressing the safety and liquidity of the invested funds. WatersEdge may invest an unlimited percentage of its cash and cash equivalents in reasonable and prudent instruments with less than a three-year maturity available through banking and brokerage institutions. Specifically, these include:

- US Treasury and Agency Bills and Notes
- Money Market Funds
- Commercial Paper
- Bankers Acceptances
- Repurchase and Reverse Repurchase Agreements (must be fully collateralized with approved collateral)
- Certificates of Deposit
- Eurodollar CD's, TD's, and Commercial Paper
- U.S. and Eurodollar floating rate notes
- Private Placement Securities issued under SEC Rule 144A

Funds in excess of anticipated short-term operational needs are invested in investment portfolios administered by WatersEdge. The objectives of these investments are to provide current income by investing primarily in investment quality US and international debt securities.

IX. Miscellaneous

1. **Business Day.** A business day is defined as any day WatersEdge is open for business. Transactions may not be posted on federal holidays.
2. **Notice.** Any notice required to be given by WatersEdge shall be deemed validly given if mailed to the Client at the address last provided to WatersEdge, whether mailed separately or as a part of any other document customarily mailed by WatersEdge. Any such notice shall be deemed to have been given on the date on which it was mailed.
3. **Applicable Law.** The investments offered by WatersEdge and their obligation to pay are issued and arise, respectively, in the State of Oklahoma and shall be interpreted and construed under the laws of the State of Oklahoma.
4. **Privacy Statement.** WatersEdge shall rely only upon written instructions signed by designated representatives regarding any information pertaining to Church Building Loans and/or Demand and Term Deposits. Additionally, WatersEdge shall communicate by telephone, email or any other means of communication only with designated representatives regarding Church Building Loans and/or Demand and Term Deposits.

X. Adopted/Revised

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Authors:	Jerry Vaughan, Chase Ritter, David Depuy, Brad Johnson, Shryln Treadwell
Revisionary Synopsis:	To establish the Church Extension Fund Policies and Guidelines for WatersEdge Ministry Services.