

Compare your loan options

While most borrowers focus on interest rates when comparing loans, the cost of a loan can increase dramatically once the range of lender requirements and fees are considered. The Cornerstone Fund charges none of the fees most often found in financing packages offered by commercial lenders. How do your offers compare?

	CORNERSTONE FUND	<u>LENDER 1</u>	<u>LENDER 2</u>
Interest rate	_____	_____	_____
Maximum loan term (length)	_____	_____	_____
Monthly payment	_____	_____	_____

POINTS AND FEES

Application fee	NONE	\$ _____	\$ _____
*Appraisal	NONE	_____	_____
Phase I environmental study	NONE	_____	_____
Loan Points/Discount/Origination fee	NONE	_____	_____
Survey	NONE	_____	_____
Document preparation	NONE	_____	_____
Legal review	NONE	_____	_____
Other	NONE	_____	_____
Other	NONE	_____	_____
ADDITIONAL LOAN COST	\$0	\$ _____	\$ _____

*If the loan request is \$1,000,000 or greater, an opinion of value is required. Please remit an appraisal fee of \$750 payable to UCCCF with the loan application.

THE COST OF A LOWER INTEREST RATE

If a commercial lender offers financing at a lower rate but charges any of the fees listed above, you can calculate the number of payments required to break even or cover the additional cost. Using the payment table on the reverse, subtract the lender's monthly payment (for a similar term) from that of the Cornerstone Fund, then divide the difference into the Additional Loan Cost calculated above. The result will reveal the number of months you must make payments on the lower-rate loan before breaking even given the additional borrowing costs.

Monthly payment calculator

	RATE	10-YEAR	20-YEAR	30-YEAR
per \$10,000	3.50%	\$ 98.89	\$ 71.49	\$ 44.90
	3.75%	100.06	72.72	46.31
	4.00%	101.24	73.97	47.74
	4.25%	102.44	75.23	49.19
	4.50%	103.64	76.50	50.67
	4.75%	104.85	77.78	52.16
	5.00%	106.07	79.08	53.68
	5.25%	107.29	80.39	55.22
	5.50%	108.53	81.71	56.78

To estimate monthly payments

- In the table, locate the payment amount based on the rate & loan term you are considering
- Divide your desired loan amount by 10,000 and multiply that number by the payment amount you've chosen

Example —

LOAN SELECTED	4.25% @ 20-year term
PAYMENT FACTOR	\$75.23 (per \$10,000)
LOAN AMOUNT	\$ 650,000 ÷ 10,000 = 65
PAYMENT	75.23 x 65 = \$4,889.95

To compare a lower-rate loan with a Cornerstone Fund loan

- Determine the monthly payments of the two loans you are comparing *For the most accurate result, be sure the loan term (number of years) is the same for both loans.*
- Calculate the difference in payment amounts
- Divide the Additional Loan Costs required by the commercial lender (calculated on the reverse) by the difference in payments

LOAN AMOUNT	\$ 650,000
CORNERSTONE LOAN	4.25% @ 20-year term 75.23 x 65 = \$4,889.95
COMMERCIAL LOAN	3.75% @ 20-year term + Loan Costs: \$5,500 72.72 x 65 = \$4,726.80
DIFFERENCE	\$163.15
ADDED LOAN COST	\$5,500 ÷ 163.15 = 33.71

In this example, a lower rate loan with additional costs of \$5,500 would not offer a financial advantage until 34 payments had been made.

For churches planning to reduce their loan balance in the first few years as capital campaign pledges are paid, the added cost of a commercial loan may never be recovered even with a lower interest rate.

Before making a final commitment to a commercial lender, be sure you know all the costs of borrowing. Some banks require the transfer of other banking business or even personal guarantees. In any case, talk to the Cornerstone Fund — negotiations with lenders may be more effective with our commitment in hand.

Borrowing from the Cornerstone Fund helps to maintain the cycle of investing and borrowing that ensures a pool of funds remains available to enhance and expand the ministries of churches and organizations across the UCC. Call us today!