

A new perspective on church refinancing

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From missionary kid to church financing

I spent the first eight years of my life in Brazil as a missionary kid. After I turned 8, my dad came home one day with the news that we would need to move back to the States because the church that had supported him for many years was planning an expansion project. To fulfill their vision, the leadership determined that they needed to pull back on their mission's budget. So my family packed up and moved to Texas.

For the next five years, my dad delivered snacks during the day and scooped ice cream at night and on weekends to support our family. It took five years for my dad to get plugged into a ministry that would support our move back to Brazil. By then, I was 13 years old. The effect on me and my family cannot be overstated.

So how does that tie to church financing?

Allow me to connect the dots.

We would most assuredly all agree that a better economy benefits everyone. As the economy improves, interest rates will continue to rise. How do higher interest rates impact ministries with existing debt?

Most ministries around the country have loans from traditional commercial banks and face balloon payments when the loans mature. This means that during the next several years, the church will either have to pay off the note (meaning they need that much cash on hand) or refinance.

If the church refinances, their new loan will likely be more expensive each month. For every 1% rate increase, the church will pay \$10,000 per year more in interest assuming the loan amount is \$1 million.

So if a church has a \$5 million loan and market rates are 1% higher than when the loan balloon was due, the church will pay \$50,000 more in interest expense annually. Because most ministries work with little margin, they would need to make a significant budget adjustment to continue servicing the debt. Could that mean making some difficult ministry decisions to continue to afford the ministry mortgage?

Plan ahead to avoid higher rates

Don't get unpleasantly surprised and stressed by a maturing loan and higher rates. As part of your ministry's long-term fiscal plan, explore your options to determine if refinancing early would benefit the sustainability of your ministry as well as your long-term missional goals. While refinancing a commercial loan takes time, ensuring your ministry is well-positioned for the long term can open ministry opportunities your team hasn't yet dreamed of.

Identify a lender or two that are committed to working with churches and staying in the loan market. Ideally, this would be a lender with the ability to provide fully amortizing loans.



Is a fixed-rate option important to you? Look for long-term fixed-rate options that are simple and easy to understand. Consider the question, “Could I explain this to my finance team, church council or leader?”

Do you want the option to pay the mortgage early? Find a lender that will provide maximum prepayment flexibility without penalty.

When you plan ahead and find a ministry-focused lender, you can mitigate some risk for the ministry. For example, by securing a long-term fixed rate, your ministry can create a debt-reduction plan without worrying about higher interest costs down the road. By evaluating proposed loan covenants and engaging in an open discussion with your lender, you can fully understand the impact of covenants on the ministry now and in the future.

While few kids have to move to another country because of ministry finance decisions, my story is not uncommon. Ministries across the country face decisions that affect their finances and vice versa.

If you must choose between cutting ministry and financing your facility, look at all your options. Can you accomplish both without sacrificing your vision for expansion?

I encourage you to review your current loan.

Learn from experienced lenders so that your ministry can grow within your financial reality and create a financial plan that is sustainable. An experienced church lender can help you ask the right questions for your situation.

I'd love to help you find answers and gain clarity, so give me a call.

Call 800-984-9425 or visit [ThriventChurchLoans.com](https://www.ThriventChurchLoans.com) for more information.