

# Guidelines for Church Borrowing

UPDATED: March 19, 2002

- Within this classis the Church Planning and Development Committee (CP&D) is responsible to consider requests for indebtedness.
- The following guidelines have been approved by Zeeland Classis.
- All such requests for indebtedness as come before CP&D will be evaluated according to these guidelines. Classis, through these guidelines, empowers this committee to act on its behalf. The committee is permitted to recommend a level of indebtedness outside of these guidelines if, in their opinion, the situation warrants doing so. Approval of indebtedness other than what is consistent with these guidelines shall be brought to classis for its decision.
- All requests for indebtedness, however, must also be approved according to the *Book of Church Order (BCO)* of the Reformed Church in America which stipulates the following:

**Chapter 1, Part I, Article 2., Section 9.** The consistory shall have the care and supervision of the church's property and financial interests. They are the trustees of the church's property, unless the act of incorporation of the church, or the statutes of the state in which the church is incorporated, make other provision. The consistory shall not sell, transfer, lease, mortgage or otherwise alienate or encumber any real property of the church on which there stands a building designated for worship or religious instruction, or as a residence for the minister, unless the approval of the classis of which the church is a member has been secured. **Further, the consistory shall not incur a total indebtedness which exceeds two-thirds of the prior year's expenditures for congregational purposes, as reported to the General Synod, without the approval of classis.**

**Total Amount of Debt** – The total amount of debt should never exceed an amount that is 3.5 times the total annual giving of the congregation based on the previous three year average. Total annual giving is that amount reported to the General Synod on line 18 of the Annual Consistorial Report *minus* the amount reported on line 18b.

## **Annual Debt Service**

1. A congregation with total annual receipts of up to \$150,000 should negotiate the percentage of total annual receipts for the purpose of annual debt service with the Classis CP&D committee. Such a percentage is likely to be no greater than 24% of a three year average of total congregational receipts.
2. A congregation with total annual receipts between \$150,000 – 200,000 should not exceed 24% of its total receipts for annual debt service.
3. A congregation with total annual receipts between \$200,000 – 250,000 should not exceed 27% of its total receipts for annual debt service.
4. A congregation with total annual receipts between \$250,000 – 300,000 should not exceed 30% of its total receipts for annual debt service.

5. A congregation with total annual receipts greater than \$300,000 should not exceed 35% of its total receipts for annual debt service.

**Tithing on Building Fund Receipts** – Each congregation requesting permission to borrow money for expansion of facilities is strongly encouraged to set aside a tithe of all Building Fund receipts to be used for a mission project outside of its own programming. Such tithing is intended to be the **First Fruits** of any facility expansion program.

**Use of Borrowed Funds** - Borrowing by churches and/or classes for the purpose of re-lending the borrowed money to any other project or entity is strictly prohibited. In the event that borrowed money is not being immediately used for a capital project, it shall be conservatively and securely invested. Under no circumstances should there be any form of high risk or speculative investing using borrowed money. Any consistory deliberately ignoring this mandate within these guidelines should expect prompt and decisive action by the Classis.