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## ***RATE VS RISK***

By Mission Management and Consultants, LLC  
Mortgage Bankers & National Church Finance Specialists

When obtaining Church Finance, understanding Rate vs. Risk will make the difference in how successful you are in securing the very best rates, terms and conditions. *The rate always reflects the risk.*

The higher the risk, - the higher the rate, the lower risk – the lower the rate.

When dealing with God's money, we are charged to be good stewards but unfortunately with regards to Church Finance most Churches miss the mark when it comes to finance and have much higher finance costs than could be obtained. Those higher costs result in less money available for missions and decreased resources for winning more souls. So the question is 'how do you lower the risk so you can lower costs'?

The first issue that should be addressed is how the request is being structured. A Church project is really no different than a project that is done by a developer. If you ask a successful developer, what has been the key to their success, one of the things they will tell is structuring the project. Proper structure communicates and helps the Lender understand all the aspects of the project.

The second issue that should be addressed is the condition of the financials. No matter what the size of the church, having CPA prepared financials in GAAP format is a must and should be at least in compilation form with larger requests in audit form. This not only demonstrates and reflects a commitment to excellence to the Lender but it puts the financials in a format that they can understand. Go ahead spend a little and you will save a lot.

Another issue is negotiating the deal. Obtaining Church Finance is no different than a court case. Most amounts for Church Finance are now \$500k and up. If a church were to be involved in a major court case valued at \$500k and higher, would they represent themselves? Does a volunteer committee or someone with little to no experience have the skills to negotiate a settlement? Probably not. Negotiating Church finance with a lender is no different than a Lawyer preparing for a trial or legal case. Someone has to take the lead, be properly prepared, be able to communicate and sell the project, negotiate the best rates, terms and conditions, and most important be able to speak BANK. Remember it is the Lender's job to get the highest yield possible as they are compensated on performance and at the end of day report to their shareholders.

When obtaining financing a Church needs to level the playing field as much as possible and lowering the risk is one way to accomplish that. As Mortgage Bankers, we see that the majority of Church finance projects result in higher rates and increased costs due to the lack of expertise by not having an in-house banker or financial counsel to manage the funding process for the church.

Not having the skill sets and ability to do these things will increase the risk which equates to higher rates and costs.

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About Mission Management and Consultants, LLC:

MMC - Mortgage Bankers is one of the Leading Church Finance Mortgage Firms in America. MMC is an experienced team of Bankers and Professionals, called to the ministry of obtaining financing for Christian organizations. For more information, please visit our website at [www.mmcbankers.com](http://www.mmcbankers.com)