



When the interest rate doesn't matter

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

Economics 101 – What happens when demand outstrips supply? Price goes up, right. That is what we are experiencing in today's marketplace. As most people have heard emerging economies like China and India are growing at such a rapid pace that their vast need for commodities has created a global environment where demand for building materials is much greater than supply. Because the demand is greater than supply we are seeing the cost for construction and materials increase by 10-12% on an annual basis. In our opinion, this is not a temporary condition but probably an environment that will be ongoing. Also take a look at what is happening to land costs in the U.S. alone, everything is appreciating. So what does that have to do with Churches..... everything.

As Mortgage Bankers and Church Finance Specialists, we are seeing the majority of the Church projects ranging in cost from \$1 – 10 million. Using those numbers, any delay in the construction of the project will increase the cost annually.

For example:

<u>Project</u>	<u>Cost Increase (10%)</u>	<u>Per month</u>
\$1 million	\$ 100,000	\$ 8,333
\$3 million	\$ 300,000	\$25,000
\$5 million	\$ 500,000	\$41,666
\$10 million	\$1,000,000	\$83,333

Most Churches build and add new facilities because they are just out of room and nowhere to grow. Taking that into consideration, another factor is lack of space, limits income. National statistics reflect that Churches with new facilities grow at least 30% the first year and from our experience that equates to about 20% in increased income.

For example:

<u>Annual Budget</u>	<u>Income Increase (20%)</u>	<u>Per month</u>
\$ 300,000	\$ 60,000	\$ 5,000
\$1,000,000	\$ 200,000	\$16,666
\$2,500,000	\$ 500,000	\$41,666
\$5,000,000	\$1,000,000	\$83,333

So when you add the cost of delays plus the loss of increased income the end result is major. This isn't some type of "fuzzy math" but just the plain truth. Delays in a Church project when you put it in monthly prospective is like putting money in a black hole.... just kiss it good-bye.

We hear a lot of dialog about trying to get the very best interest rate and as advocates for the Church, we totally agree and do that everyday for our clients but as the saying goes, most Churches "can't see the forest for the trees". When you put it in dollars and cents, increase costs and loss of income will more than offset no matter what the interest rate is.

*Being good stewards of God's money
sometimes just means having some common cents.*

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About Mission Management and Consultants, LLC:

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