



DIOCESE OF AUSTIN

**DIOCESAN INVESTMENT AND LOAN PROGRAM
GUIDELINES**

June 2005



DIOCESE OF AUSTIN

Overview of the Diocese of Austin

The Diocese of Austin (“the diocese”) is a part of the Roman Catholic Church charged with the spiritual care of the faithful in Central Texas. Its mission, through the Word and Eucharist, prayer, formation, education, social ministries, and advocacy is to embrace diverse cultures throughout the diocese so that together as the Catholic Church it can continue the mission of Christ in the world today. The diocese is organized under the direction of the Bishop of Austin.

I. Diocesan Finance Council and Investment and Loan Committee

- A. As required by Canon Law, the Bishop of Austin (the “Bishop”) has appointed the diocesan Finance Council to serve as a consultative body capable of advising him on the financial matters affecting the diocese’s administrative offices (the “Pastoral Center”), parishes, schools, and other associated entities (c. 492).
- B. The Finance Council is composed of both clergy and laity who serve at the request of the Bishop by virtue of appointment or as ex-officio members.
- C. The duties of the Finance Council are defined by Canon Law (cc. 492-494).
- D. The by-laws of the Finance Council created a series of standing committees to assist the Finance Council in its consultative work. One of those standing committees is the Diocesan Investment and Loan Committee, or “DIAL Committee,” composed of the Finance Officer and additional members appointed by the Bishop.
- E. The DIAL Committee serves the Bishop by advising him on investment strategy and methodology governing the investment of pooled funds belonging to the Pastoral Center, parishes, schools, and other diocesan entities.
- F. The Committee is also responsible for making recommendations to the Bishop regarding loans to be extended to the various parishes and constituent entities within the diocese.

II. Contact Persons

In general, the following person would be the principal diocesan staff member to be contacted regarding financial matters pertinent to the diocese's financial status, its investment policies, and the diocese's Investment and Loan program as described herein.

Finance Officer
 Diocese of Austin
 6225 Highway 290 East
 Austin, Texas 78723

III. Purpose and Objectives

- A. The Diocesan Investment and Loan Program ("DIAL" or "the Program") is intended to provide the parishes, schools, and other Catholic organizations operating under the auspices of the Diocese of Austin with access to a greater number of investment options and capital project financing at reduced cost.
- B. By pooling investment capital from each of the parishes and the diocese, the diocese can offer a greater diversity of investment alternatives with professional investment management at a lower cost than might otherwise be obtainable by the parishes on an individual basis.
- C. The Program provides the framework through which the diocese may gather investment assets from its parishes to be invested on an aggregated basis for their mutual benefit.
- D. The Program provides the necessary structure by which parishes may request and receive loans from the diocese.

NOTE: Loans from outside lenders are prohibited unless approved in writing by the Bishop. Generally, the only loans allowed from outside lenders are those with other Catholic organizations, such as the Clerical Endowment Fund, which loans funds on an unsecured basis.

- E. The DIAL program has three components.

1. Investment Facility

- a. On an aggregated basis provides professional investment management for diocesan and parish investment funds to meet the capital needs of the diocese and parishes and to build and maintain endowments.
- b. Funds aggregated under this program are invested according the diocesan *Investment Policy Statement* (See <http://www.austindiocese.org/dept/finance/dial.php>).
- i. Procedures for diocesan organizations to make investments and to withdraw funds are described below.

2. Loan Facility (Construction Loans)

- a. Makes available funds for capital projects and facility improvements to the parishes and other diocesan organizations at competitive rates.
 - i. The rates and terms for loans and the procedures to request financing are described below.

3. Funding Facility

- a. Is the source of funds for loans extended by the diocese?
 - i. The Funding Facility is made up of funds from direct loans to the diocese from lenders, diocesan lines of credit, and diocesan and parish savings invested in the Investment Facility.

F. The diocese will give an annual public stewardship report which will be published in the Catholic Spirit and available on the diocesan website.

IV. Eligibility

A. Construction loans will be made available at the discretion of the Bishop based on a recommendation from the Diocese of Austin Finance Office to those entities that agree to participate in the Program and have invested their excess operating funds, savings, and capital campaign proceeds (if any).

B. Construction loans will be extended to those entities that have:

1. Completed a Loan Request
2. Had their projects approved by the Bishop after having heard the recommendation of both the diocesan Finance Council and Building Committee
3. Obtained financial pledges of at least 25% of the anticipated project costs
4. Collected at least 25% of the anticipated project costs in cash
5. Have reported (actual) sustained recurring cash flows (i.e. weekly collections and recurring fundraising activities such as an annual bazaar) sufficient to fund the projected principal and interest payments of the loan
6. Invested capital campaign proceeds, savings, and cash in excess of 90 days operating need in the Program Investment Facility

NOTE: Total combined discounted pledges and cash (#3 and #4 above) must equal at least 50% of anticipated project costs. Loans cannot exceed 50% of anticipated project costs.

C. Any diocesan entity may participate in the Program Investment Facility.

V. Fees

An origination fee in the amount of 1% of the loan will be charged to cover diocesan costs of obtaining capital (loan origination fees and other costs of obtaining debt). Such fee may be added to the principal of the loan or funded in cash.

VI. Terms

- A. Repayment of loans should not exceed 15 years.
- B. All funds designated for the project in the DIAL deposit account are used before the loan is initiated.
- C. Interest payments are required during construction at the floating interest rate of prime – 1.25%.
 - 1. After the project is complete, a final amortization schedule is sent based on the term of the loan and the current market rate (See [Schedule B: Loan Rates](#) (Page V-10)).
 - a. Fixed monthly payments of principal and interest begin at this time.
 - b. The parish bank account will be automatically drafted on the 15th of each month.

VII. Roles and Responsibilities

A. The Bishop

The Bishop, as prescribed by Canon Law (c. 391, § 1; 393) and as the civil corporate sole of the diocese is ultimately responsible for the administration of the Program, accepting and administering investments in the Program on behalf of the diocese and the parishes, establishing the terms and conditions under which loans will be extended through the Program, and approving any loans extended through the Program.

B. The Diocesan Investment and Loan Committee

- 1. The DIAL Committee established by the Finance Council in its role as advisor to the Bishop will be responsible for the creation of these program guidelines to be approved by the Bishop.
- 2. The program guidelines will be reviewed at least annually by the DIAL Committee and the Finance Council, and the DIAL Committee and the Finance Council will recommend the changes they deem necessary, to the Bishop for his approval.

C. The Finance Officer

1. The Finance Officer is responsible for the timely implementation of the program guidelines and for reporting quarterly to the DIAL Committee, the Finance Council, and the Bishop on the performance of the Program including:
 - a. Investments returns on the funds invested by the diocese, participating parishes, and other diocesan entities, including specific fund manager performance relative to peer managers and market benchmarks and compliance with diocesan socially responsible investing guidelines. (See the diocesan [Investment Policy Statement](#) at www.austindiocese.org/dept/finance/dial.php)
 - b. New and outstanding loans, including balances, delinquencies, prepayments, interest income, and new loan requests; and recommendations regarding loan approvals and their respective interest rates, and terms
 - c. Funding Facility status including diocesan loan balances to outside lenders, interest expenses, rate changes, and compliance with loan terms and covenants
2. The Finance Officer is also responsible for Program administration, including maintaining all Program records and accounts, and current account records for each of the entities participating in the Program Investment Facility or in the Loan Facility, payments to and from participating entity accounts, and reporting.
 - a. The Finance Officer will inform participating entities on a timely basis of any interest rate changes and will update investment accounts to reflect any rate changes.
3. In all cases, upon the review of the DIAL Committee, the Finance Officer's reconciliation of account values and amounts will be definitive.
4. Any recommended changes to the program guidelines will be evaluated by the Finance Officer and recommended to the DIAL Committee for its recommendation to the Bishop.

VIII. Program participants include any diocesan entity that has agreed to and has been approved by the Bishop to participate in the Loan Facility and any diocesan entity may participate in the Investment Facility.

- A. While investment in the Investment Facility is not required, it is strongly recommended and encouraged by the Bishop and required in order to participate in the Loan Facility.
 1. Participants in the Investment Facility are encouraged to invest any savings and investment funds beyond cash required to support 90 days of operations.
 2. Participants in the Loan Facility are required to obtain approval for financing according to the [Loan Request and Approval](#) procedures on Page V-8 below.

IX. Effective immediately, in order for building and capital campaign funds to be exempt from cathedraticum, such funds must be deposited in the Investment Facility.

X. Investment Rates

Investments in the Program Investment Facility will receive interest according to the parameters in [Schedule A: Deposit Rates](#) (Page V-10).

XI. Lending Rates

Participants in the Program Loan Facility will be charged interest on outstanding loan balances according to the rates described in [Schedule B: Loan Rates](#) (Page V-10).

XII. Deposits and Withdrawals

A. Upon request, the Finance Officer will accept deposits into the Investment Facility.

B. Participants agree to provide funds to the Finance Officer with the understanding the funds will be invested at the discretion of the diocese and in a manner consistent with the diocesan [Investment Policy Statement](#) (See www.austindiocese.org/dept/finance/dial.php).

C. Participants understand that their deposits will earn a rate of return established and adjusted from time to time by the DIAL Committee, to be paid by the diocese to the Participant as described in Schedule A, regardless of the actual market returns the diocese may earn by investing the participants deposits.

D. Participants understand that their deposited funds will be invested by the diocese in the aggregate with other participant deposits according to the diocesan [Investment Policy Statement](#) (See www.austindiocese.org/dept/finance/dial.php).

XIII. Deposits

A. Each participant will transfer funds to an account designated by the Finance Officer with instructions regarding the type of investment to be made:

1. Short term (money market) – generally capital campaign, building fund, or short term deposits expected to be used in the next year.
2. Long term (savings) – generally savings of the parish that, in good faith, are not expected to be used within the next year and will therefore remain on deposit for at least a year.

B. Participants choosing to make longer term investments must designate the term of the investment.

C. Long term deposits may be withdrawn at the end of the designated term or reinvested in the Program.

XIV. Withdrawals

- A. Withdrawals of short term or long term deposits may be made at anytime.
 - 1. However, in the normal course of business, withdrawals should be made only once a month on a date to be established by the Finance Officer.
 - 2. Withdrawals are made by request to the Finance Officer at least one week (if possible) prior to the date established by the Finance Officer.
- B. Withdrawals of long-term investments may be made at the end of the designated term of the investment as specified by the Participant at the time of the deposit.
 - 1. Withdrawals required prior to the designated term must be reviewed by the Finance Officer and approved by the Bishop and will be subject to a penalty.

XV. Loan Request and Approval

- A. Requests for loans for eligible projects are to be made to the Finance Officer in writing using the DIAL *Loan Request Form* in Schedule C (Page V-11).
 - 1. Forms must be completed by the parish or school and accepted by the Finance Officer.
 - 2. Once accepted by the Finance Officer, request will be reviewed by the DIAL Committee for a recommendation to the Bishop.
 - 3. Upon approval by the Bishop, the Finance Officer will make funds available to the borrowing entity upon the terms and conditions established by the DIAL Committee and as approved by the Bishop.
- B. Interest will accrue on funds as they are drawn down and for the term they remain outstanding at rates described in [Schedule B: Loan Rates](#) (Page V-10).
- C. Loan principal and interest payments are to be made monthly or as determined by the Finance Council.
 - 1. The Finance Office will provide each participant a monthly statement reflecting all activity for the month (accrual of interest, payments of principal and interest, etc.)



DIOCESE OF AUSTIN

Diocesan Savings and Loan Program Approval

Revised June, 2011

The Finance Council will review the Diocesan Investment and Loan Program guidelines from time to time. This Diocesan Investment and Loan Program will remain in effect until modifications recommended by the Finance Officer and the Finance Council are adopted and approved by the Bishop.

Schedule A: Deposit Rates

Short term deposits (less than one year) will accrue interest at the then-current average money market rate to be established by the Finance Officer and adjusted quarterly. Rates will be published each quarter.

Longer term deposits (generally greater than one year) will accrue interest at prime – 2.0%.

Endowment deposits (funds invested for 10 years or longer) will receive the investment returns of the endowment funds invested as part of the Investment Facility less 50 basis points (.50%).

Schedule B: Loan Rates

Short term loans (less than five years) will be extended at Prime – 1.25%. Rate will fluctuate with prime rate.

Longer term loans (greater than five years) will be extended at market rates to be established by the Finance Officer and adjusted quarterly. Rates will be published each quarter.

Schedule C: Loan Request Form

Diocesan Investment and Loan Program

Loan Request

Name of Parish: _____

Primary contact : _____

Estimated project cost: _____ A

Requested loan amount: _____ A - D

Total amount pledged for project: _____ B

Funds on-hand for project: _____ C
(Invested in the DIAL program)

Total funds available: _____ B+C = D

Outstanding indebtedness: _____

Annual operating funds available for debt service: _____

Please attach:

- Current Financial Statement
- Parish Council and Finance Council meeting minutes approving project
- Description of need
- Preliminary project budget and construction schedule
- Current operating budget
- Financial Plan Analysis Worksheet

Signature of Pastor

Date

Signature of Finance Council Chair

Date

