



## ANGLICAN DIOCESE OF OTTAWA POLICY TO ENCOURAGE PREPAYMENT OF CHURCH EXTENSION FUND (CEF) LOANS

### INTRODUCTION

There have been more requests from parishes for CEF loans than could be granted because of a shortage of funds in the CEF. This policy aims to increase the amount of loan money available by offering an incentive to parishes to pay more than the required amount of principal and interest in a given year. In addition to this incentive, prepayments will bring a reduction in the total interest paid by the parish on the loan, thus making the parish “mortgage free” sooner.

### POLICY

Parish income, from any source, used to prepay a CEF loan will be exempt from 50% of the apportionment due on the prepayment. The amount of the prepayment in any year must be \$20,000 or 20% of the outstanding principal, whichever is less.

#### *Example*

Outstanding loan principal	\$125,000
Regular semi-annual payments per loan agreement	\$5,000
Prepayment (say 25% of principal)	\$31,250

#### *Benefits for parish following this scenario*

√ Saving of 50% of the apportionment due on \$31,250. The apportionment rate is approximately 20%, therefore 20% of \$31,250 = \$6,250. With this exemption, 50% of \$6,250 = \$3,125 (savings)

√ The parish will also save on the total interest payable on the loan as a regular consequence of prepaying

2007 (reformatted 2011)