

Reflections On Our First Five Years

By Michael P. Schaefer, Executive Director

Recently, I had an opportunity to spend some time with one of the founding board members of CFC, Fr. Frank Kittock. Fr. Kittock asked me as I looked back on five years: “Did we get it right?” We reviewed the sequence of events to find the answer. In 1999, more than 80% of all loans in the Archdiocese were being guaranteed by the Archdiocese. As a result, the Archdiocese had about \$150 million in contingent liabilities on its balance sheet, with well over \$150 million of additional building projects on the drawing board for the next five years.

The primary lenders for parish and school building projects at the time were large regional banks and fraternal insurance companies, both requiring an Archdiocesan guarantee on their loans. The banking community, however, was growing concerned about the continuing dilution of that guarantee, and was advising the Archdiocese that \$100 million in contingent liabilities would be a more prudent level.

CFC was created in 2000 to provide a collateralized loan program for parishes, with the funds received from the Growing in Faith Campaign used as collateral for loans made by three major regional banks. This was intended to help maintain the growth that was projected in the Archdiocese, without the Archdiocese providing its guarantee to lenders in support of that growth.

By 2001, we were a two-person shop, with just a car and two cell phones for an office, when events began shifting quickly. That year the regional banks suffered over \$1 billion in losses, resulting in substantial retrenching, revisions to their loan criteria, and significant reductions in church lending. That year also brought the events of September 11th and a downturn in the economy.

Fortunately, the community banks stepped into the void left by the larger banks. CFC staff worked diligently to increase the comfort level of community banks with church financings. Today, 75% of our time is spent as financial advisors to parishes and schools, and much less time than we originally envisioned as a lender or provider of collateral. Despite that, to-date, we have loaned in excess of \$21 million to 14 different organizations and we are a self-supporting organization.

During the five-year time span since CFC was founded, many of the organizations we work with have had to put building projects on hold as they struggle to make ends meet. We have increased our operational advisory services to help them. The prime rate, which had dropped as low as 4.00% during July 2003-June 2004, has now been on a steady rise for more than a year. Lenders have been reducing their rate lock period from five years to three years. This dynamic environment has made it all the more important for us to be available to parishes and schools as a resource, and help them be aware of and weather these changes.

The Archdiocese's guarantee level is now almost down to \$100 million, while more than \$200 million in new loans have been made without the guarantee. We hope that those parishes CFC has advised are able to make more informed borrowing decisions, with more options available to them. "Yes," I told Fr. Kittock, "I think we got it right."

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