



# Your Capital Campaign: The Mortgage Component

(Things they don't teach you in Yeshiva)

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*Campus Kinus  
The Crowne Plaza  
Stamford, CT*

Yonatan Hamburger  
310.815.1000 - Cell/Text 310.567.9910  
Y@ShluchimFunding.com  
9107 Wilshire Blvd, Suite 450 Beverly Hills, 90210

**[www.ShluchimFunding.com](http://www.ShluchimFunding.com)**

# *The Mortgage Component of your Capital Campaign*

*(Things they don't teach you in Yeshiva)*

## **Most frequent Shluchim mortgage related challenges ... and their fixes**

- ✿ Financial documentation
- ✿ Liquidity/Assets
- ✿ Credit history
- ✿ Loan Qualification
- ✿ Salary/parsonage documentation & reasonableness (Residential Issue)
- ✿ Lender perception of mixed-use collateral (Residential Issue)

## *Are you Acquiring Title thru your Moisod or as an individual?*

Your answer to this question will determine whether you finance your Chabad House with a Residential Mortgage or a Commercial Mortgage. If you purchase in your own name you will obtain your mortgage thru a Residential Lender based on a specific set of qualification guidelines. If you finance thru your moisod, then you will obtain your mortgage from a Commercial Bank; the bank will most likely be a "smallish" community bank or a bank that has a specific niche in nonprofit lending.

Here is an "apples to apples" comparison of the potential pros and cons derived using residential vs. commercial financing:

### **ADVANTAGES OF COMMERCIAL BANK FINANCING**

- ✿ Property Tax Exemption if purchased by Mosod
- ✿ Arguably an easier capital campaign for BB's to feel part of
- ✿ Doesn't depend upon personal credit or income

### **ADVANTAGES OF RESIDENTIAL FINANCING**

- ✿ 30 year, fully amortized term
- ✿ As little as 3.5% down payment (30-40% for Commercial)
- ✿ Little to no closing costs
- ✿ Property owned by the Shliach
- ✿ Doesn't depend upon Mosod's books & records

	<b>RESIDENTIAL</b>	<b>COMMERCIAL</b>
Purchase Price	800,000	800,000
Down Payment	240,000	240,000
Loan Amount	560,000	560,000
Interest Rate	4.25%	5.00%
Term	360 months	84 months
Balloon Payment	no	yes; EOY 7
Amortization	360 months	240 months
Monthly Principal & Interest	2,755	3,696
Monthly Property Taxes	833	0
Total Monthly Payment	3,588	3,696
Balance EOY 7	485,000	423,000
Closing Costs	3,000	18,000
Net Cost EOY 7	790,000	737,000

The scenario described above favors the commercial financing over the residential financing by over \$50,000. But two compelling arguments can be made for the use of residential financing; greater leverage (lower down payment), and elimination of interest rate risk. Interest rate risk is the uncertainty about the cost or availability of a new mortgage in the far future.

In conclusion, it is prudent to carefully consider your options before reaching a decision as to how to finance your mosod.

# Choose the best mortgage:

	CURRENT	PROPOSED 1	PROPOSED 2
Loan Amt	\$500,000	\$500,000	\$500,000
Interest Rate	6%	4%	4.50%
Monthly Payment	\$4,797	\$3,030	\$2,533

While often dictated by necessity, many Shluchim have a month-to-month mentality regarding their fundraising and view their expenses only in terms of the monthly payment. But when it comes to a mortgage, the lowest payment and the lowest interest rate don't necessarily tell the entire story.

With these additional facts, now choose the best mortgage:

	CURRENT	PROPOSED 1	PROPOSED 2
Years Remaining	12	20	30
Balance EOY 12	\$0	\$249,000	\$375,000
Sum of monthly payments	\$691,000	\$437,000	\$351,000
Net cost EOY 12	\$691,000	\$686,000	\$726,000
Net cost End of Term	\$691,000	\$977,000	\$1,273,000

# *Documentation Checklist: Commercial*

- ✧ Ratified purchase agreement
- ✧ Copy of your existing lease or rental agreement
- ✧ YTD and last 3 years income & expense statements and balance sheets
- ✧ Last 3 months bank statements for all bank accounts (all pages, even if blank)
- ✧ Bio on the leaders
- ✧ List all business debts
- ✧ Itemization and supporting assumptions for any "one time" or discretionary expenses
- ✧ If there is a pledge or capital campaign, we would want to see the target amount, amount pledged, when it is anticipated to be collected, and if possible the names of any major donors
- ✧ Itemized list of each donor amount for previous year (don't need donor name)
- ✧ If there are any renovation costs, include the construction budget on contractor's letterhead.
- ✧ If Refinance: recent mortgage statement. If private party, 12 months canceled checks
- ✧ Articles of incorporation
- ✧ Bylaws
- ✧ List of current members of Board of Directors and Officers of Corporation
- ✧ 501c3 status letter
- ✧ Hazard & Liability insurance policy declarations page

# *Documentation Checklist: Residential*

- ✧ Ratified purchase agreement
- ✧ Copy of your existing lease or rental agreement
- ✧ Previous 2 years Federal Tax Returns
- ✧ Previous 2 years W-2's
- ✧ Previous 2 months personal bank statements for all bank accounts (all pages, even if blank)
- ✧ Asset trail documentation including gift letters and donor ability documentation
- ✧ Previous 12 months proof of receipt of salary and parsonage
- ✧ Previous 12 months proof that moisor pays any personal expenses
- ✧ Previous 12 months proof of timely rent payment
- ✧ Employment contract with moisor with a minimum 3 years remaining
- ✧ 501c3 status letter
- ✧ List of members of Board of Directors and Officers of Corporation

# Shluchim we've helped



## Rabbi Gill Leeds

*Chabad of U.C. Berkeley*

I have been the beneficiary of Yonatan's expert guidance. He has been a trusted steward of Shluchim for many years and he has made it his personal Shlichus to help the Rebbe's Shluchim in a way which he knows best.



## Rabbi Shloime Chein

*Chabad of U.C. Santa Cruz*

Yonatan knows the mortgage industry very well and knows Shlichus life very well; he is therefore able to work with Shluchim's unique needs in preparing all the finances properly and obtaining very pleasing loans.



## Rabbi Yitzi Steiner

*Chabad of the University of Minnesota*

Yonatan has been a blessing. He understands the Shluchim's needs and the way our operations run, not to mention his banking and mortgage background.



## Rabbi Moshe Levin

*Chabad of Pico Robertson (Bais Bezael) Los Angeles*

I can say adus how Yonatan uses negotiating and people skills in extremely difficult situations that require intelligence and acute diplomacy, and he aces. This guy's a mentch who has humility and derech ertz that you can speak openly to and trust he will respect your confidence. He is the man!



## Rabbi Baruch Eqagui

*Chabad of La Jolla*

Yonatan is the best shliach to the Shluchim. He is the perfect liaison between your moisdod and the finances you need to make things happen.



## Rabbi Dov Newman

*Chabad of Beverlywood*

The standard of expertise, professionalism, and genuine care that Yonatan exhibits can't be duplicated. I highly recommend that you consult with him.

# Shluchim we've helped



## **Rabbi Chaim Zaklos**

*Chabad of Solano County*

It became clear early on that I could let my guard down with Yonatan because his only consideration was protecting me and helping me with my Shlichus. If you're planning to purchase or refinance, you are well advised to consult with Yonatan early on.



## **Rabbi Shmuel Gancz**

*Chabad of Suffern, NY*

With the daily challenges that a shliach faces it was so heart-warming to know that there are people like Yonatan who just care, and care enough to make a difference in our Shlichus! He managed to secure a mortgage for us in no time.



## **Rabbi Yossi Lipsker**

*Chairman of the Board of Directors  
Cheder Menachem, Los Angeles*

Yonatan knows what he's doing and you can count on them to represent your best interests.



## **Rabbi Avremi Mintz**

*Chabad of South Metro Denver*

Yonatan helped us secure a mortgage at an amazing rate, saving us a significant amount of money. We are grateful and blessed to have met Yonatan. I would highly recommend using him for your future mortgage needs.



## **Rabbi Zalman Marcus**

*Chabad of Mission Viejo*

My only regret is that I didn't meet Yonatan 15 years ago when I started with my first mortgage. He is a caring mentch who knows his field and works on your behalf. He understands our needs and is able to help from a unique vantage point.



# Shluchim we've helped



## **Rabbi Itchel Krasnjansky**

*Chabad of Hawaii*

Yonatan got me a great mortgage after everyone else told me it wasn't possible. More important, these guys are here to be of service to Shluchim and they know the way it really is for us.



## **Rabbi Nechemia Schusterman**

*Chabad of Peabody, MA*

Yonatan helped me with incredible patience, insuring we were easily approved. They are experts in the field of nonprofit financing and they know the inner workings of Chabad Houses.



## **Rabbi Berel Levertov**

*Chabad of Santa Fe, N.M.*

Yonatan helped steer me thru a complicated construction loan and made it easy. I heartily recommend Shluchim Funding; it's clear that their purpose is to help Shluchim.



## **Rabbi Shimon Raichik**

*Congregation Levi Yitzchak, CA*

Yonatan recently got our Chabad House mortgage approved at a very low rate and I assure you it wasn't easy! I recommend Shluchim Funding.



## **Rabbi Yosef Konikov**

*Chabad of South Orlando, FL*

Yonatan helped me get my financials in order for the bank to approve me more easily. Shluchim Funding is a valuable resource committed to helping Chabad.



## **Rabbi Dovid Eliezrie**

*Chabad of North Orange County, CA*

Yonatan of Shluchim Funding is a true partner to Shluchim. He was a crucial help to our Moisad and he can help you!

# *The Shluchim Mortgage Fund*

## **The Shluchim Mortgage Fund is being created for the purpose of helping Shluchim:**

- ✧ Loan terms customized to support the Shliach's efforts to grow his moisd
- ✧ Managed by mortgage professionals with extensive experience in nonprofit lending as well as the inner workings of Chabad Houses
- ✧ Flexible, common sense underwriting
- ✧ Lower monthly payments
- ✧ Elimination of refinance risk
- ✧ Down payment flexibility & financing of closing costs
- ✧ Geographic parity and pricing

## **A good deal for investors:**

- ✧ Secured by prime real estate in Jewish neighborhoods across the U.S.
- ✧ Judicious, equity based underwriting while using strategic guarantees from local Baal habatim when warranted to mitigate potential risk
- ✧ Opportunity to make a real difference without risking investment capital
- ✧ An appropriate rate of return and an opportunity to gift profit back to the bank earmarked to help all Shluchim with vital goods and services

## **A good deal for the Chabad-Lubavitch movement:**

A well run mortgage fund gives Chabad Lubavitch the credibility and track record needed to establish an International Endowment Fund supported by major philanthropists.

**Until the fund is operational, we are matching individual investors to individual mortgage loans on behalf of Shluchim. If you have a gavir who might be interested, please refer them to us. Your moisd can earn a percentage each and every month the loan is in place.**