



Your Capital Campaign: The Mortgage Component

(Things they don't teach you in Yeshiva)

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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 Moisod's books & records

	RESIDENTIAL	COMMERCIAL
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.

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