CCMBC LEGACY FUND

Ministry-Focused Financial Services

Credit Policy

Approved by: CCMBC Legacy Fund Inc. Board of Directors

Distribution: CCMBC Legacy Fund Inc. Management
CCMBC Investments Ltd. Board of Directors

Effective Date: November 21, 2022

1. Statement of Policy

Credit Policy is meant to provide one policy for the Board relating to the risk-taking business within Legacy and delegates to Management the responsibility of risk management related to lending products, ensuring there is a credit underwriting regime that is sound. The Board will hold Management accountable to this ideal, through an internal review process, established from time-to-time. Further, the policy provides for Legacy approval of risk exposure limits where necessary and prudent for timely lending decisions. It leaves the core of the Credit and Underwriting guidelines as Management tools rather than Board approved documents.

2. Responsibility for Credit Policy

- Primary: Legacy Board of Directors
- Secondary: Legacy President/CEO

3. Scope

This policy supports the purpose of CCMBC Legacy Fund Inc. as outlined in its Articles of Incorporation.

4. Definitions

- "Legacy" means CCMBC Legacy Fund Inc.
- "Board" means CCMBC Legacy Fund Inc. Board of Directors
- "Management" means CEO, CFO, and Mortgage and Client Accounts Manager

5. Loan Types

Variable Rate Open Commercial Mortgages (CCMBC churches and affiliated organizations):

- Secured, collateralized mortgage, first position
- Maximum amortization of 25 years
- Maximum 70% loan to value. Maximum 80% loan to value if underwritten prior to April 8, 2021
- Additional payments are permitted at any time without penalty

Variable Rate Open Residential Mortgages (CCMBC pastors):

- Secured, collateralized mortgage, first position, primary residence only
- Maximum amortization of 25 years
- Maximum 80% loan to value. Maximum 90% loan to value if underwritten prior to November 21, 2022
- Additional payments are permitted at any time without penalty

6. Variable Rate

The interest rate is subject to change every 6 months on January 1 and July 1 each year.

7. Credit Risk Acceptance/Assumption

Credit risk is defined as the financial risk inherent within Legacy's lending portfolio. Through the provisions and features of the lending program, Legacy is engaged in the business of accepting or assuming certain risks related to its borrowers. To protect the assets and reputation of Legacy:

- The Board delegates to Management the day-to-day authority to manage, monitor and control the risk acceptance/assumption activities for the products distributed by Legacy and its related risk-management strategies and practices.
- Management shall comply with the Underwriting Guidelines, referred to as Appendix "A" and Credit Lending Limits, referred to as Appendix "B" and attached hereto. Underwriting guidelines included in Appendix "A" shall be dynamic in nature and responsive to current market forces, industry standard practices and trends.
- Management shall review Appendix "A" and Appendix "B" for effectiveness on an on-going basis, and the President shall conduct a review of Appendix "A" and "B" from time-to-time, as required, or as otherwise requested by the Board.

- ~~With the prior approval of the board,~~ Management shall utilize outside expertise as necessary for compliance with risk management practices, policies, guidelines, and results reporting analytics of Legacy.
- Binding and/or approval limits shall be established by the President and approved by the Board annually.
- Concentration risk denotes the risk arising from an uneven distribution of loan capital in relationship to the percentage of overall deposit capital, which may contribute to losses large enough to jeopardize solvency and will impact operations in the event of default. Management shall comply with the following limitations and immediately inform the board of any contravention as soon as discovered:

	Maximum of Total Investment Capital Raised under Offering Memorandum*
Single borrower policy (cumulative)	10%
Commercial mortgages	100%
Residential mortgages	10%

* Subject to any Reserve Policy requirements.

8. Monitoring and Reporting

Management shall recommend any fundamental and material changes to Appendix “A” and Appendix “B” to the Board. Credit Policy is expected to be an adaptive and evolving regime set by the Board and implemented by Management.

Periodic compliance audits shall be planned and scheduled by the President in coordination with and approved by the Board. Management will complete file reviews from time-to-time, as required.

Management will implement and maintain a delinquency protocol for non-paying loans and report same for each Board meeting. Management will provide a summary of Estimated Credit Losses (“ECL”) to the Board on a quarterly basis.

Management will evaluate new lending opportunities and where necessary make recommendations to the Board.

9. Policy Review

This policy shall be reviewed and approved annually.

10. Terms of Reference – Management

Management shall have the following specific duties and responsibilities:

- Make recommendations to the Board regarding approval of lending limits for Management, within the limits established by the Board and review such limits at least annually.
- With respect to credit risk, review details of the amount, nature, characteristics, concentration, and quality of the credit portfolio of Legacy based on timely reports including Expected Credit Losses (“ECL”) provided to the Board at least quarterly.
- Confirm to the Board at least annually it has reviewed Legacy’s Credit Policy to ensure it is sound, prudent, and compliant, and recommends new policies, guidelines or amendments to existing policies and guidelines.
- Review pricing guidelines and make recommendations to the Board, when necessary.
- Review and report all loans that do not meet the lending criteria guidelines established in Legacy’s Credit Policy.
- Present proposals for loan write-downs for the consideration of the Board.
- Report to the Board any material contravention of Legacy’s Credit Policy as soon as discovered.

11. Relevant Reference Material

- Appendix A – Underwriting Guidelines
- Appendix B – Lending Limits

12. Supporting Procedures and Documentation

- Loan Procedures – Church.docx
- Loan Procedures – Pastor.docx
- Checklist – Church Loan.docx
- Checklist – Pastor Loan.docx
- Loan Application – Church.docx
- Loan Application – Pastor.docx
- Mortgage qualification worksheet.xlsx

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Appendix A
Underwriting Guidelines

New loan applications must comply with lending guidelines established by the following parameters. The key elements analyzed by Legacy to determine a borrower's overall credit risk are referred to as the "Four Cs of Credit", namely:

- "Character" means the general impression made to Legacy and affirmed by the respective provincial conference office formed by a subjective opinion as to the good standing of the church, agency, or pastor within the MB community as well as, the stability, likelihood and ability of the church, agency, or pastor to repay the mortgage. Individual borrowers may further be subject to character assessments made by either guarantors, or those personally known to the borrower.

- "Capital" means the equity component of the mortgage. Commercial mortgages are required to have a minimum equity participation of 30% and be secured by real property. Personal mortgages are required to have a minimum equity participation of 20% and be secured by real property. Mortgages guaranteed by a "qualified" guarantor are secured by real property.

- "Capacity" means the ability to repay all current obligations plus the additional borrowing request. Capacity is determined by considering cash-flow and/or income, existing debts, and new borrowing. The consideration for commercial loans is a debt service coverage ratio calculated as EBITDA÷(annual principal and interest payments) and must not be less than 1:1. For individual applicants Total Debt Servicing ("TDS") and Gross Debt Servicing ("GDS") are considered. TDS is the percentage of monthly household income that covers housing costs and any other debts and must not exceed 42%. GDS is the percentage of monthly household income that covers housing costs and must not exceed 35%. Management will utilize the Minimum Qualifying Rate ("stress test") as defined by the Office of the Superintendent of Financial Institutions to inform decision making, but not necessarily to disqualify an application.

- "Collateral" means, the security provided to Legacy in the form of real property, funds on deposit or personal guarantee from a "qualified" guarantor. Management assesses strength of collateral through various means to determine suitability.

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Appendix B
Lending Limits

Lending limits are designated as shown below. All mortgages must comply with underwriting guidelines outlined in Appendix A.

All mortgages require two signatures for approval as noted below, by either Management or the Board.

Commercial Mortgages:

Approval	Secured by Real Estate	Alternate Security	Underwriting Guidelines
Two (2) Management	Up to $1,500,000	Nil	Meets 4 of 4 C’s
Board	Up to $1,500,000	All	Meets at least 3 of 4 C’s
Board	$1,500,000+	All	Meets 4 of 4 C’s

Residential Mortgages:

Approval	Secured by Real Estate	Alternate Security	Underwriting Guidelines
Two (2) Management	Up to $750,000	Nil	Meets 4 of 4 C’s
Board	Up to $750,000	All	Meets at least 3 of 4 C’s
Board	$750,000+	All	Meets 4 of 4 C’s