Five Solas Mortgage Planning

Five year rate re-adjustment. September 15, 2024

A little history

- We bought our building in 2019 for $361,451
- We borrowed $122,441 through the OPC loan program
- Our monthly payments are $676 based on the original interest rate of 5.25%
- With our current progress down the amortization schedule, we owe approximately $87,000
- Our last payment had an interest to principal ratio of 1:32 ($385 interest, $290 principal)

September 15

- The OPC loan committee will evaluate interest rates in June and August. In August they will notify us of our new rate for the following 5 years, and what that new monthly payment will be.
- Mark Stumpf informed the session that right now his best guess is that it would be around 7%, with an estimated monthly payment of $600.76 based on the $85,000 still owed and the new rate.
- That new payment, while lower than our current one, would have a new interest-to-principle ratio of approximately 4:7 ($495 to interest; $105 to principle)
- No one knows the future, but interest rates are expected to start falling at the June FOMC meeting, with one more FOMC meeting to follow before our new rate is set.
- Therefore 7% represents a realistic upper limit for our new rate, with the possibility of an slightly lower rate then that.

What are our options?

- Option 1: Do nothing
  - If we do nothing the loan will reset at 7%, with a lower monthly payment for a total term of 25 years with another interest rate reset in five years (2029).
  - Pros: Our monthly payment will be slightly lower.
  - Cons: We end up paying a lot more in interest over the course of the loan life, due to a renewed “front-end loading” of the loan amortization schedule every 5 years.
  - The session feels this option is undesirable as a poor use of financial resources.

What are our options?

- Option 2: Maintain our loan with the OPC, but make the following adjustments, once we have hard numbers for the reset rate and payment in August:
  - 1) Move $25,000 from our building fund and checking account to make an initial jumbo principle-only payment in September in addition to the regular payment.
  - 2) Commit to an extra $500 in principle every month for the next five years.

What are the benefits?

- This will align our principal ratio to what we've accomplished over the last five years, thus ameliorating much of the "front-end loading" of our new loan reset. Our loan would be paid off with us paying only $13,000 more in interest.

- This would allows us more flexibility to NOT make additional principal payments, should the need arise due to unforeseen financial difficulties. We could simply weather any storms making our $600/mo payment, and not put the building at risk.

- This would not require any new fundraising or capital drive. We have the money for the additional $25,000, and could opt to make-up any member contributions to principle, in order to achieve the $500/mo requirement.

What can members do?

- There are two options:
  - Do nothing. Your regular and faithful giving has enabled us to prepare this 5-year payoff plan.
  - Do something. Special offerings toward principal payments are always welcome. Use the designated box by the door.

What's next?

- We will reconvene as a congregation in late Summer to re-assess our financial situation.
- The plan as presented today may be adopted and go into effect.
- If there is new information, we are free to re-consider our approach with "no rush" since this plan assumes no major developments or pressing concerns.