

## MEMO

**TO: PASTORS AND ADMINISTRATORS; CHAIRS OF TEMPORAL AFFAIRS COUNCILS**  
**FROM: MSGR. KEVIN BEACH, VICAR GENERAL**  
**DATE: JUNE 24th, 2015**  
**SUBJECT: LOAN FUND FOR PARISHES - REDUCTION OF INTEREST RATES ON LOANS**

---

Following the recommendation of the Diocesan Finance Council and of the College of Consultors, Archbishop Prendergast has decided to lower the interest rates on loans from the Loan Fund for Parishes by one-half percent (0.5 percent).

Some of you will remember that the interest paid on deposits and the interest charged on loans had been the same (5%) from the inception of the Loan Fund for Parishes by Archbishop Plourde in the 1970s up until 2002. In 2003, the interest rate on deposits was reduced to 3.5%. This change was necessary in order to eliminate an accumulated deficit of the Fund created by interest paid on deposits which were higher than investment income produced by the excess deposits.

More recently, the interest rate on certain loans was reduced to 4.25% (i.e., loans over \$1M for new construction). The new rate for these loans will also be reduced by one half percent to 3.75%.

The interest spread which was implemented in 2003, together with investment income from the Fund, has enabled the Loan Fund for Parishes to establish a surplus. Interest on deposits will remain, until further notice, at 3.5 per cent. The founding principle of the fund remains: assistance to parishes requiring loans from a diocesan fund created by parishes that have surpluses.

For parishes with a loan, the following policy will apply:

- The conditions of a loan will be established at the time that the loan is made. It is understood that loan interest, over the term of a loan, may be as high as 5 per cent but will not exceed that percentage. The term of a loan will also be established when the loan is made;
- Depending on the funding status of the Loan Fund for Parishes, interest rates on loans will be reviewed annually and adjusted if prudent to do so;
- The current drop in loan interest rates will take effect with the July 2015 payment;
- In coming weeks, the diocese will issue a new repayment schedule to borrowing parishes using the same monthly payment of principal and interest which will result in a reduction of the loan repayment period.

A parish will have the option to pay down the loan using the original repayment period, thus reducing the monthly payment of principal and interest. This option may be considered by parishes that have cash flow concerns. If you choose this option, please contact Mr. Jules Dagenais at 613-738-5025, ext. 249, or [jdagenais@archottawa.ca](mailto:jdagenais@archottawa.ca).

Should you have any question regarding these changes, please contact Jules Dagenais.