

Alpha Gamma Rho Chapter House Loan Fund Policies and Procedures

The Alpha Gamma Rho Chapter House Loan Fund was established by action of the delegates to the National Convention in 1958. The Fund is supported by payments from each initiate at the time he becomes a member of Alpha Gamma Rho. The purpose for creating the Fund was to assist Alpha Gamma Rho alumni Associations or Corporations in providing adequate housing for Undergraduate Chapters. This assistance may be in one or more of the following ways:

1. Loans secured by mortgages on real estate.
2. Limited guarantees on the repayment of indebtedness incurred by an Alumni Association to provide housing.
3. Guidance in obtaining proper housing.

The loans are obtained by notes and secured by mortgages. Where guarantees are made, an unrecorded deed is held as security. These documents are all in the form required by the state in which the property is located. No loan fees or points are charged for the loans; however, documentation such as notes, deed (or mortgage), title evidence, insurance coverage, and corporate resolutions are required as would be by a conventional lender. The current interest rate on loans is 10% even though conventional second mortgage rates have been much higher and are still above these rates.

Any Alumni Association or Corporation may obtain assistance from the Chapter House Loan Fund. It should be emphasized that loans are not made to Undergraduate Chapters, Undergraduate Colonies or individuals. Loans from the Chapter House Loan Fund should be requested only after all other avenues are exhausted.

Assistance and information can be obtained by writing or calling:
Alpha Gamma Rho Chapter House Loan Fund
10101 N. Executive Hills Boulevard
Kansas City, MO 64153
(816) 891-9200
FAX (816) 891-9401 FAX

Purpose:

The CHLF was organized as a trust of Alpha Gamma Rho Fraternity, an Illinois not-for-profit corporation, operating under Illinois law, for the purpose of assisting Alumni Corporations in providing housing for undergraduates.

Authority:

The Fund is governed by its trust document and by Statutes of the National Fraternity. It is administered by a five member Board of Trustees three of which are appointed by the National Board of Directors and two of which are elected by the National Convention. The Board is

charged with keeping a record of its actions and reporting to the National convention and to the National Board upon request.

Responsibilities:

The Board is responsible for administering the Fund. Specifically designated responsibilities include:

- to establish all rules and regulations necessary to acquire and loan monies on mortgages
- to borrow money
- to pledge assets as security for money borrowed
- to execute agreements necessary or desirable to effect its purposes
- to guarantee performance of mortgage (notes)
- to incur and pay such expenses as necessary

Additional Responsibilities:

The National Board of Directors has appointed the CHLF Board as the "Housing Committee" for Alpha Gamma Rho Fraternity. To provide advice and guidance with respect to:

- housing needs
- property management
- coordination of funding drives
- obtaining loans from commercial sources
- quality improvements

Policies and procedures are to encourage obtaining information, developing plans and providing aggressive leadership for maintaining quality housing at all undergraduate chapter locations.

The CHLF will work on achieving good and competitive housing for all chapters. The Board of Trustees of the Chapter House Loan Fund evaluates and acts on requests for loan guarantees or loans pursuant to information provided by the Alumni Corporation (as requested in the following pages). The Board also establishes general policies, such as the interest rate and number of years for which loans or guarantees will be made. Maximum loan limits and other guidelines are also established in meetings of the Board.

Policies

1. CHLF shall be considered a lender of last resort.
2. Any assistance will be based on sound business principles with appropriate consideration to the fraternal relationship between the chapter, alumni corporation and national fraternity.
3. In no case is anyone authorized to negotiate or commit CHLF guarantees and loans except an authorized representative.
4. Packages should be dependent on 10% of funds being provided up front by the local entities (chapter, alumni corp., individual alumni).
5. Guarantees should be limited to the minimum absolutely required by the 1st mortgage lender.

6. Packages are also dependent on 1) economic times, 2) location, 3) local real estate values, and 4) cash flow projections.
7. Alumni corporations are obligated to demonstrate financial feasibility.
8. The limited resources of CHLF will be allocated to those with the greatest need first.

Obtaining A Loan Or Guarantee

CHLF shall be considered a lender of last resort. When a loan or guarantee is being sought, the first step should be a preliminary discussion with the Chapter House Loan Fund by contacting the National Headquarters. If the need appears to have support, the following information should be submitted to the Secretary of the Chapter House Loan Fund Board:

1. Projection showing probable need and source of funds. The projection showing source (where the necessary funds are coming from) should include cash on hand, funds from alumni contributions, 1st mortgages, Chapter House Loan Fund loans, and the like.
2. Current financial statement of the Alumni Corporation.
3. Operating budgets for the Alumni Corporation and Undergraduate chapter showing how the cash flow will be generated to service the loan and other obligations.
4. Lease between the Alumni Corporation and Undergraduate Chapter providing for a fixed amount of annual rent payable in eight or more equal monthly payments, with acceptable house rules.
5. Preliminary drawings and photos.
6. An appraisal of existing and/or completed property may be requested by the Board.
7. Show evidence that the Alumni Corporation has complied with Article XII, Section 3 of the National Constitution, which provides that "Each Alumni Corporation shall... provide in, its articles of incorporation or equivalent instrument to the effect that upon the dissolution of the Alumni Corporation (i) all debts of said Alumni Corporation shall be paid and its affairs settled, (ii) all remaining assets shall be transferred, delivered and paid over to the Fraternity or, if it be not qualified to receive such net assets, to the Educational Foundation of Alpha Gamma Rho, and (iii) the Alumni Corporation shall be liquidated."

When general agreement has been reached as to the amount and terms of a loan, Board approval will be obtained and the following documentation will be required before the funds are disbursed.

- Certified Minutes of a meeting of the Alumni Corporation in which a resolution has been passed authorizing specific officers of the Corporation to execute appropriate documents to borrow the amount of the loan and to mortgage, pledge or convey the assets of the Corporation as collateral.
- A Mortgage or trust deed prepared by a local attorney designated by the Chapter House Loan Fund Board of Trustees at the Alumni Corporation's expense; drafted for approval by the Chapter House Loan Fund and then properly executed.
- A note prepared by a local attorney designated by the Chapter House Loan Fund Board of Trustees at the Alumni Corporation's expense; drafted for approval by Chapter House Loan Fund and then properly executed.
- Title policy on a simultaneous issue basis or title opinion from a local attorney who has examined the abstract.

- When a loan guarantee is to be provided, an unrecorded Warranty Deed executed by the Alumni Corporation will be held as security.
- Executed conditional assignment of rents.

After the loan has been closed, these additional items will be needed.

- Copy of the insurance policy (fire and extended coverage naming the Alpha Gamma Rho Chapter House Loan Fund, 10101 North Executive Hills Blvd., Kansas City, Missouri 64153, in the mortgage clause and as an additional insured.
- Copy of the first or other senior mortgages and their repayment schedules.
- Copy of the newly executed lease between the Alumni Corporation and the Undergraduate Chapter. Also a copy of the contract which residents are required to sign for residency in the house.

All loans will be set up on an amortized monthly repayment schedule. The local Alumni Corporation will be furnished with this schedule and payments are due at the offices of the Secretary of the Chapter House Loan Fund in advance of the due dates set forth thereon. Monthly notices are not sent. Canceled checks are evidence of payment. Budgets should be established so that funds are available for summer payments.

All financial assistance is made with the understanding that the alumni Corporation and the Undergraduate Chapter accept and agree to the terms, policies, procedures and regulations as set forth by the AGR Chapter House Loan Fund Board of Trustees. The Board reserves the right to revoke the guarantee and/or all the loan in the event the Alumni Corporation and/or Undergraduate Chapter does not live up to their agreement.

Policy On Interest Rates

The interest rate charged on loans made by the Alpha Gamma Rho Chapter House Loan Fund to Alumni Corporation in good standing is a minimum of ten percent per annum (10%) using the 360-day basis. Said rate will be subject to annual or periodic review by the Chapter House Loan Fund Board of Trustee.

Policy On Late Charges

All notes must have a provision for a late charge by establishing a default interest rate at 2% over the rate on the face of the note, if payments are not made within 30 days of the due date.

Policy On Amount And Term Of Loans

The Alpha Gamma Rho Chapter House Loan Fund general policy is to loan no more than \$50,000 on a ten-year amortization to Alpha Gamma Rho Alumni Corporations unless granted an exemption for extenuating circumstances.

Policy On Allocation Of Payments To Interest & Principal

To comply with the recommendations of the auditor and to establish a guideline so that all borrowing alumni corporations will be treated equally, the following policies will be adhered to:

Upon receipt of a payment from a borrowing Alumni Corporation, the funds are to be applied first to interest and then principal.

Prepayments from a borrowing Alumni Corporation which are in excess of principal or interest payments due or to be due within the current fiscal year will be applied to the last principal payments due under the amortization schedule.

Policy On Guarantees

The maximum, cumulative total of all payments guaranteed by the Chapter House Loan Fund at one time shall not exceed five times the liquid assets of the Fund. The customary forms of guarantees to be issued will be up to 20% of the principal balance on the first five years of principal, and no guarantee shall have a duration of more than ten years.

Any Guarantee will be established on the basis of need-vs-risk. In no case is anyone authorized to negotiate or commit CHLF guarantees except an authorized CHLF officer. CHLF must minimize the term and risk of the guarantee. The maximum guarantee is up to \$100,000.

Guarantee Fee

A fee will be charged for each guarantee based on exposure defined as the outstanding principal balance. the fee rate schedule is as follows:

0-5 yrs.1% per year up front
5-10 yrs.2% per year annually

The minimum fee is \$1,000.

Chapter House Recommendations

The local Alumni Corporation (Association) through its Alumni Board is expected to provide an adequate chapter house -- both in terms of quality and capacity.

The Chapter House Loan Fund (CHLF) Board of Trustees serves as the Fraternity's Housing Committee by appointment of the Fraternity's National Board of Directors. It is the goal of the CHLF Board to assist the Alumni Corporation in its housing responsibilities. The Loan Fund will provide advice and counsel relative to the Corporation's housing needs, and will assist with financing information concerning the terms and conditions of loans and guarantees as provided herein.

The following guidelines are offered by the CHLF to Alumni Corporations for consideration:

The chapter house of the 1990s should afford the same quality and amenities as homes to which the members are accustomed. Just because "we lived there" is not justification to continue subpar housing quality.

The areas of the house should include:

- a) Sufficient dining room with approximately 11-13 square feet per person. The average chapter dining room should seat approximately 150% of the house

capacity allowing for an overflow of guests. Have ample windows and natural light.

- b) A good kitchen needs to be provided with ample equipment--giving some consideration to industrial type cooking and dish washing equipment (as a result of substantial use making home appliances impractical in most cases). The kitchen should provide for ample food storage that is accessible and can be kept clean. If bulk frozen food can be purchased at a substantial savings, a freezer should be considered.
- c) An adequate living room should be provided offering some formality to entertaining and should normally not include a television set. The living room should be kept clean and orderly so that it is presentable to guests/parents/alumni at any time.
- d) Appropriate recreation space should be provided with consideration for pool table, ping-pong table, foosball table and/or card playing. Location of this space needs significant consideration relative to its noise.
- e) Television space needs to be given consideration and should be avoided in the public areas of the house. Rooms should not be wired for cable TV, but the main TV room should be.
- f) Library/study space should be provided and location be given special consideration to avoid distraction/noise. Proper lighting and equipment should be included.
- g) Adequate sleeping/dormitory space needs to be provided with sufficient room per person. Most recognize that sleeping bays/dorms with individual study rooms is the best setup; is generally cheaper to build and maintain; plus affords better scholastics and brotherhood throughout the house. Emphasis should be made on avoiding television sets and improper equipment costing more than average to use. Important--every man must have adequate study space--an individual study table or desk and space for storage of books, etc. Adequate storage space for clothing must be provided as well.
- h) Adequate bathroom facilities must be provided with one bathroom for each 25 men. Generally, top of the line plumbing and shower facilities is less expensive in the long run. Gang showers are a must, and not individual shower stalls; with 5 men per shower head the recommended number. Two toilets and two urinals per 25 men are recommended.
- i) Good housemother facilities attract good housemothers. The housemother's quarters should provide a separate bathroom, bedroom and sitting room.
- j) Avoid excessive hallways that are costly to build and maintain.
- k) Provide ample guest closet space, particularly coat racks in common areas.

- l) Provide ample telephones with adequate wiring for future phone installation in each room. Provide intercom system and doorbells.
 - m) Consider sprinkler system and fire alarms. Recess fire extinguisher into the walls.
 - n) Consider air conditioning.
 - o) Provide enough space and outlets/phone jacks in each room for personal computers. A "Computer Room" could be considered as an alternative, or in addition to properly equipped individual study rooms. More and more university dormitories are computerizing. AGR needs to remain competitive.
 - p) Computer software and hardware are a part of the "furnishings" in today's fraternity house. Budget for them as you would a sofa or dining room table.
2. These general guidelines should also include:
- a) Alumni Corporation should provide for a Chapter House capacity of a minimum of 30 men, but not greater than 10% of the 4-year male agricultural enrollment at the University where the Alumni Corporation and Chapter is located.
 - b) The Alumni Corporation should provide for a minimum of 180 sq. ft. per man when building or remodeling a Chapter house; and provide 60 sq. ft. per man per study room (including closet) without sleeping space, and 100 sq. ft. per man study room (including closet) with sleeping space.
 - c) In the preparation of plans, budgets and proposals, the Alumni Corporation should allow for a maximum of 90% occupancy for payout.
 - d) When Alumni Corporations are building or making major renovations, quarters for a housemother should be provided and at all times the Alumni Corporation is to strongly encourage employment of a housemother for the well-being of the chapter home.
4. Consideration needs to be given to the energy demands of the facility
5. Consideration should be given to university requirements and guidelines.
6. Consideration must be given to local and state ordinances relative to commissary regulations, fire ordinances and health practices. Consideration proper fire escape and fire extinguisher.
7. The outside appearance, landscaping and recreational space or area should be given consideration. The house should be aesthetically pleasing and compliment the community in which it is located. The outside "look" of the house is your image to the world.
8. Ample parking should be provided and may be regulated by local authorities.
9. A maintenance schedule and maintenance cost should be given consideration.

10. Give some thought to expansion possibilities.
11. The long-term quality of chapter housing will be enhanced with the use of one central facility to avoid divisiveness with multiple facilities.

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