

Texas Methodist Foundation President Tom Locke

AN UPDATE ON CURRENT ECONOMIC CONDITIONS

MARCH 31, 2009, INTERVIEW WITH TOM LOCKE

The Texas Methodist Foundation offers a number of financial services, including investments and loans. How are your constituents responding to you during these challenging economic times? The interesting response we're seeing from our community during this time is that the Texas Methodist Foundation is a safe port – and that sense of security applies to both investments and loans. Several churches have moved investments they had with other institutions to us and now many credit worthy churches are beginning to ask us to refinance them out of their bank loans. The bottom line is that we offer straightforward financial services that include competitive investment returns supporting an exceptional church loan program, enabling us to strengthen the United Methodist Church through the sum of our services. And that is making us very attractive.

And, too, it has not escaped people's attention that investments into the Methodist Loan Fund are being leveraged to strengthen the one institution – the Church – that best offers an alternative to the excessive self-interest that created this difficult situation.

How are churches coping in this economic climate?

Overall, giving seems to be holding its own, and is perhaps stronger than many had expected it to be. And in many places, attendance is up. If I had to summarize, I think churches are responding with prudence, confidence, and attention to outreach. While not alarmed, churches are being cautious. Some are delaying building projects, for example. But there is also a sure sense that we will get through this. Many even see it as an opportunity to deepen spirituality by lifting up a vision of abundance as opposed to scarcity. In terms of outreach, churches that appear to be weathering these hard times the best are those that have sharpened their focus on their core purpose and on reaching out to their neighbors – living the gospel works in good times and bad. They're resisting the inclination, tempting during a weakened economy, to focus solely on the institution of the Church rather than the purpose of the Church.

How is the Foundation doing in terms of financial integrity and strength? We closed 2008 with a very healthy operating budget surplus. In fact, this surplus allowed us to make certain grants to special causes, including the support of clergy through the TMF Institute for Clergy and Congregational Excellence. Likewise, 2009 is tracking ahead of our budget projections and shaping up to be another healthy year.

Due to the decline in our market-based funds, we ended 2008 with a less than 5% decline in total assets, from \$328 million in 2007 to \$317 million in 2008. However, as mentioned before, we are



pleased to report significant growth in our Methodist Loan Fund investments. This growth, much of which occurred in the fourth quarter, was due to investors seeing us as a place of safety. That sense of security has continued into 2009. We will continue to act with the same prudence, conservatism and transparency that helped foster this trust in us. Our investors can count on us to be present with them, regularly communicating through pieces such as this one and through our web site (www.tmf-fdn.org) where all communications and updated financials are posted.

What about the health of the Foundation's loan portfolio?

Even in a flagging national economy and after the devastation of Hurricane Ike to Texas communities, our loan delinquencies continue to be well within their low historical averages, and we anticipate no defaults or foreclosures. As we've said before, we do not engage in subprime lending or any of the practices that led to this crisis. Our loans are to United Methodist churches or institutions and we use the same conservative underwriting we have always used. Those strict guidelines have resulted in our impeccable record of never having experienced a loss of principal on any loan we originated. While we never enjoy saying "no" to a loan request, we understand that sometimes we serve best by doing so. Still, though, with over \$260 million in loans to United Methodist churches in Texas, we are by far the largest lender to Methodist causes in the country.

Any closing thoughts?

With this troubled economy, crisis of confidence in our economic institutions, and real human needs continuing to be unmet, the need for a vital Church is more important than ever. We are grateful for the continued confidence of those investing their assets with the Texas Methodist Foundation as together we strengthen the United Methodist Church for the accomplishment of God's dreams.