

INTERNAL LOAN GUIDELINES

General Background

From time to time, there is a need for internal funding of an Auburn University loan for the purposes of constructing, renovating, improving and/or equipping university facilities. The University may grant internal loans to a division, a college, or a department for a specific project or use. These loans are typically for capital projects, small acquisitions or projects.

Objectives

- To provide monies to projects consistent with the mission of Auburn University which have met the appropriate approval process.
- To provide reasonable financing costs.
- To provide consistent and simple procedures for ease of administration.
- No debt repayment period shall exceed the useful life of the asset being financed.

General Policy

The terms for payment of interest and principal on a specific loan will be documented in a Memo of Understanding (MOU).

The benefiting units shall be responsible for the repayment of internal debt and associated costs. All internal debt issued on behalf of a project sponsored by a unit shall include an approved business plan as part of a signed MOU that specifies how the debt will be repaid.

Analysis and Approval

For all projects seeking financing, departments must submit a Request for Funding to the Vice President for Business & Finance and Chief Financial Officer (CFO). The Controller's Office will review financing options and sources of repayment. The Senior Vice President for Business & Finance and CFO will take the request to the Executive Facilities Committee (The Committee) for review and approval. Once a project is approved by The Committee, a MOU will be prepared detailing the terms and repayment schedule. This memorandum will be signed by the Vice President for Business & Finance and CFO and countersigned by the requesting unit's Dean or Department Head. An amortization schedule will accompany the MOU.

The internal loans will follow the *Internal Loan Guidelines*, and the interest rate charged will be fixed, based on the *Term Sheet for Internal Loans*. There is no penalty for early repayment.