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.