

UWF INTERNAL LOAN GUIDELINES

PURPOSE:

To establish procedures for obtaining internal loans from the University's cash balances for certain purchases of equipment, construction, and major renovation projects. Internal loans will provide a financing alternative for Divisions seeking financing.

GENERAL GUIDELINES:

An internal loan is analogous to a bank loan, except that the University is advancing money to one of its Divisions. A Division borrows from the University's working capital and pays this debt back, with interest, over a fixed period through monthly charges to its operating account.

Internal loans may be used to finance capital projects and/or major equipment purchases to allow the Division to pay over a longer term versus immediately. To qualify, all loan requests must be \$100,000 or greater. Divisions seeking internal loan financing should provide the purpose of the loan and its relationship to the University's mission, vision, and strategic plan. The Division should also demonstrate its ability to pay the debt service on the loan amount as compared to the total cost of the equipment or capital project. In addition, the Division should consider current funding opportunities such as operations, reserves, and carryforwards, before requesting an internal loan.

The Division should work with its business officer and seek approval from its Division Vice President, before submitting an application request to the University Vice President, Finance and Administration/Chief Financial Officer (VP/CFO). Internal loans require approval of the VP/CFO, the Senior Executive Vice President/Provost, and the President. Internal loans exceeding \$5,000,000 or for more than five years must be approved by the Board of Trustees chair.

Final approval for internal loans will be granted by the VP/CFO after review by the Controller's Office. Once approved, an internal bank loan agreement (Internal Loan Request & Approval Form) will be executed between the Controller's Office and the Division to memorialize the loan.

Three (3) financial vehicles may be utilized for capital projects and/or major equipment purchases. Before applying, please review the overview of each of these financial vehicles.

1. Local Funds

- Purpose
 - To fund investments that do not qualify for an internal loan or bridge financing.
- Restrictions
 - None. Funds should be used in accordance with the unit's mission.
- Term
 - N/A
- Rate
 - N/A

2. Bridge Financing

- Purpose
 - To fund capital projects with donor commitments that are to be received over an extended period.
- Restrictions

- Bridge loan funding must be deployed within 12 months.
- Term
 - The bridge loan has a 5-year term.
- Rate
 - Federal funds rate at the time of the request.

3. Internal Loan

- Purpose
 - To finance capital projects or major equipment purchases that do not qualify for bridge financing and/or are too expensive for units to leverage reserves/carryforward funding.
- Restrictions
 - The Internal Loan program is subject to a continued positive cash position and positive credit ratings, in accordance with the President and the Board of Trustees directives.
- Term
 - 1-20 years.
- Rate
 - Federal funds rate at the time of the request, such as the State of Florida Special Purpose Investment Account (SPIA) rates.

INTEREST RATES:

The interest rate charged to the Division will be fixed over the life of the loan with the ability to adjust for loans spanning longer than 5 years, at the Controller's Office discretion. Interest rates will be calculated, based on the average State of Florida Special Purpose Investment Account (SPIA) rate, at loan inception. For construction projects, interest accumulates during construction, and the principal and interest payments commence upon project completion.

TERMS:

In general, loan terms for equipment may be financed for 5 years or the life of the asset, whichever is less. Loan terms for capital projects may be financed over 5 years or less for bridge financing. Capital projects may be financed for 5, 10, or 20 years. Internal loans at this time cannot exceed 20 years. Internal loans may be prepaid without penalty. The loan start or issuance date will typically be the first day of the month following the capital project or equipment funding. The loan term cannot exceed the useful life of the asset being financed. The borrowing Division will be charged principal and interest biannually, based on the amortization schedule provided. The Controller's Office will record entries; interest will be charged on the outstanding loan balance, until the loan is paid in full.

PAYMENT PROCESS:

Borrowers will be charged principal and interest biannually, based on the amortization schedule provided at the loan closing. Entries will be recorded by the Controller's Office to the respective Auxiliary Fund. Any changes to such agreements for principal and interest payments need to be communicated to the VP/CFO. Borrowers are responsible for making sure that sufficient funds are available at the time of the payment.

LOAN APPLICATION:

Please contact the VP/CFO's Office with any questions. The VP/CFO and the Controller's Office team will confirm receipt of all applications and provide a processing timeline.