



**Current Interest Rates**  
**(As of September 10, 2021)**

**Blended Rate – 4.75%**

**Short-Term Rate** – based on incremental borrowing rate plus a spread to compensate for interest-rate risk at the time of the loan

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**Overview**

The Internal Bank is established within University Treasury to provide internal financing for capital projects, initiatives, equipment, operating deficits, or other prudent purposes.

**Financing Requests**

Financing needs will be identified by academic and administrative units and submitted for review to the University Budget Office, University Treasury, and Institutional Planning and Operations (IP&O), where applicable. Final approval for internal loans will be granted by the EVP-CFO and University Treasurer or his designee.

**Loan Structure and Terms**

The Office of Debt Management and Capital Finance will provide assistance to units in structuring loans to accommodate available resources for loan repayments. The Internal Bank can provide short-term or long-term financing that will be structured with terms appropriate for the type of asset or activity being financed.

**Short-Term Financing**

The Internal Bank can provide short-term financing for short-life assets at a lower cost for the unit. Short-life assets include, but are not limited to:

- Office equipment
- Lab equipment
- Athletic equipment
- Vehicles
- Boats

Amortization terms are based on the useful life of the asset being financed not to exceed 10 years. Interest rates will be based on the University's incremental borrowing rate plus a spread. The incremental borrowing rate is refreshed quarterly, beginning 7/1, and can be obtained from the Debt Management Office.

**Loan Structure and Terms (continued)**
**Long-Term Financing**

The Internal Bank provides long-term financing for capital projects at the current blended rate. Amortization terms are based on the useful life of the asset being financed not to exceed 30 years. In general, the amortization terms are as follows:

<u>LOAN PURPOSE</u>	<u>LOAN AMOUNT</u>	<u>TERM</u>
New Construction	Less than \$5 million	5 years or less
	\$5 million – less than \$10 million	0-10 years
	\$10 million – less than \$15 million	0-15 years
	\$15 million and over	Maximum is 30 years
Renovation	Less than \$5 million	5 years or less
	\$5 million – less than \$10 million	0-10 years
	\$10 million – less than \$15 million	0-15 years
	\$15 million and over	Maximum is 20 years
Capital Improvements other than Buildings	Less than \$5 million	5 years or less
	\$5 million – less than \$10 million	0-10 years
	\$10 million – less than \$15 million	0-10 years
	\$15 million and over	Maximum is 10 years

**Bridge Loans**

The Internal Bank provides bridge loans for expected funding (gifts, tax credits, etc.) that will be reasonably received in the future. The maximum term is 3 years interest only at the University's current blended rate. After the 3<sup>rd</sup> year, the loan converts to an amortizing loan based on the loan purpose at the blended rate at time of conversion.

**Other Loans**

Loans for other purposes not explicitly defined above, such as operating deficits or strategic initiatives, will be negotiated with the department based on the funding need, duration, budgetary constraints, and other financial considerations.