



SOUTHERN ILLINOIS UNIVERSITY INTERNAL FINANCING PROGRAM

Purpose:

From time to time it is appropriate to finance certain projects from University funds (pooled investments or reserves) when alternate arrangements are not viable, such as through the capital budget process or revenue bonds. Since internal financing represents a reduction of funds available for investment, it should only be used after considering the cost in lost interest on investments and with the involvement of appropriate University officers.

Guidelines:

The following guidelines apply to internal financing of University projects:

1. Internal financing will be used only when it is more practical and economically feasible than external financing.
2. The Treasurer will determine an appropriate interest rate, which typically would be based on the current investment rate and duration of the loan.
3. The duration of the loan will not exceed the useful life of the asset financed.
4. Interest charged under the financing arrangement will be credited to the units providing the funds for financing.
5. Internal financing proposals require the approval of the respective Chancellor and the Board Treasurer.

Loan Approval Process:

1. Review & articulate a need within the context of the Department's budget. A proforma financial statement may be required.
2. Complete the form entitled "Internal Loan Information Request Form" and e-mail Tina Galik, Assistant Treasurer, at tgalik@siu.edu.
3. If approved, the Treasurer's Office will prepare an amortization schedule and a Loan Contract for the Department's review.
4. Once the Treasurer's Office receives the signed Loan Contract, funding will be transferred to the Department on a schedule appropriate for the project.
5. Repayment terms. The Treasurer's Office will transfer funds semi-annually on June 30th and December 31st from the agreed upon payee account for repayment of the loan per the amortization schedule. It may be necessary for your Department to request a new AIS account for debt repayment.

FY10 Internal Loan Rates:

Short Term (3 Years or less):

Intermediate Term (Over 3 Years):

Both short and intermediate term interest rates will be recalculated annually. If the rate changes by 1% or more from the contract loan rate, the debt service schedule may be adjusted to reflect the revised interest rate. There will be no penalty for pre-payment of the balance due. Interest charges will be adjusted accordingly if the payment schedule is altered.