



Policies, Procedures and Guidelines Financial Services

Complete Policy Title: Internal Loan Policy (Equipment financing)	Policy Number (if applicable):
Approved by: AVP Administration & CFO	Date of Most Recent Approval: June 2016 Supersedes/Amends Policy dated: July 2009
Date of Original Approval(s): Not known.	Enquiries: Financial Services
Responsible Executive: Director of Finance	
DISCLAIMER: If there is a Discrepancy between this electronic policy and the written copy held by the policy owner, the written copy prevails	

I: POLICY

Loans granted under this policy are typically for equipment valued between \$50,000 and \$500,000. Total loans outstanding as of April 30 each year must not exceed \$5 million.

1. Requests for a loan to finance an equipment purchase must clearly demonstrate the advantages to the University of purchasing the equipment rather than leasing. All external leasing decisions must involve the Director of Strategic Procurement. Requests to purchase must be appropriately approved per the Execution of Instruments policy, <http://www.mcmaster.ca/policy/General/Financial/Execution-Instruments.pdf> and in accordance with the Strategic Procurement Policy, SP-01, <http://mcmaster.ca/bms/policy/purchase/SP-01.pdf>
2. The interest rate used to calculate repayments will be based on the University wide blended interest rate reflecting the University's overall cost of capital plus an amount for rate stabilization and administration.

3. The loan will be repaid over a specific period, which will be the lesser of the life of the equipment or a maximum of ten years. Timing of the payment of the first installment will be negotiated with the Director of Finance. Subsequent payments will be charged monthly or / semi-annually to the borrowers account via journal entry by the Senior Accountant, Financial Services.
4. Repayment in advance of the maturity date will be permitted without penalty.

II: PROCEDURES

1. Upon request to Financial Services, the loan agreement will be prepared by the Senior Accountant showing:
 - a. A loan amortization schedule of repayment.
 - b. A comparison of cost between external lease and internal loan where applicable.
2. Each internal loan agreement shall be approved per the Execution of Instruments policy, <http://www.mcmaster.ca/policy/General/Financial/Execution-Instruments.pdf>.
3. In addition, loans will require the approval of the Director of Finance.

McMaster University
INTERNAL LOAN AGREEMENT

TO: _____

FROM: Director of Finance
OJN 409

DATE: _____

SUBJECT: _____

1. Total Amount of Loan: \$ _____

Initial Payment: \$ _____

Principal amount to be repaid: \$ _____

Interest rate to be applied: % _____

2. Chartfield: # _____

3. Loan Amortization Schedule: (See attached)

4. Repayment in Advance of Original Loan Maturing Date

Requests for early repayments will be permitted; interest will be charged up to the date of repayment.

5. Sale or Trade-in in Advance of Original Loan Maturity Date

If equipment is sold, traded-in or otherwise disposed of prior to the loan maturity date, the total outstanding principal plus interest for the fiscal period (during which disposal take place) will be due and payable.

6. Agreement

On behalf of _____ (faculty or department), I agree to the terms and conditions of this loan as set out in this agreement and as stated in the Internal Loan Policy. I authorize the Director of Finance to process this request.

Requestor _____ Date _____

First Approver (1) _____ Date _____

Second Approver (1) _____ Date _____

Director of Finance _____ Date _____

Note 1

The person(s) executing this agreement should be the same individual(s) who executed the purchase agreement for the equipment in question. All purchases shall be in accordance with the Execution of Instruments policy.