



Policies, Procedures and Guidelines Financial Services

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| Complete Policy Title: Internal Loan Policy (Equipment) | Policy Number (if applicable): |
| Approved by: VP Administration | Date of Most Recent Approval: July 2009 Supersedes/Amends Policy dated: October 26, 1993 |
| Date of Original Approval(s): Not known. | |
| Responsible Executive: Director, Financial Services | Enquiries: Financial Services |
| <i>DISCLAIMER: If there is a Discrepancy between this electronic policy and the written copy held by the policy owner, the written copy prevails</i> | |

I: POLICY

Loans granted under this policy are typically for equipment valued between \$10,000 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 Purchasing Resources. Requests to purchase must be appropriately approved per the Execution of Instruments policy, <http://www.mcmaster.ca/univsec/bylaws/BoardBy-laws.pdf> and in accordance with the Purchasing Policy, P-020, <http://www.mcmaster.ca/bms/policy/purchase/p020.pdf>.
2. The interest rate used to calculate repayments will be Banker's Prime Business rate ("prime rate") at the time of borrowing plus three percent (3%). This prime rate can be found at <http://www.bankofcanada.ca/en/rates/interest-look.html>. The interest rate may be subject to adjustment on May 1 each year, should market conditions warrant.
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. Payment of the first installment will be negotiated with the Director, Financial Services. 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 by the Faculty Dean or appropriate Senior Officer for non-academic units. Such approval shall indicate that said expenditure has a significant priority within that department/budget unit and provide assurance of funds available for loan repayment.
3. In addition, loans under \$250,000 will require the approval of both the Director of Financial Services and the Director of Purchasing Resources; loans over \$250,000 and up to \$500,000 will require the additional approval of the Treasurer.

AGREEMENT NO.:

McMaster University
INTERNAL LOAN AGREEMENT

TO: _____

FROM: **Director**
Financial Services
DTC 416

DATE: _____

SUBJECT: _____

1. **Total Amount of Loan:** \$ _____

Initial Payment: \$ _____

Principal amount to be repaid: \$ _____

Interest rate to be applied: % _____

(Banker's Prime Business rate plus 3%)

2. **Charge Account Number:** # _____

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

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 Financial Services to process this request.

Dean/Senior Officer Date

Director, Financial Services Date

Director, Purchasing Resources Date

Treasurer Date