Equipment Loan Program Procedures

The equipment loan program is an in-house loan program for the purposes of assisting campuses with the purchase of real property, either tangible or intangible that is eligible to be capitalized as plant property or equipment. This program is funded with the System's internal balances and is therefore not subject to private use private use. Once approved, purchases will be originated, and payments made, but the institution, then reimbursement will be issued by the System Office to begin the loan.

The current equipment loan process is as follows:

Loan Origination

1. The institution will submit an Equipment Loan Application prior to purchasing equipment to the System Office:

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    Applications for all loans greater than $500,000 must be submitted at least 30 days prior to the date of the loan. Applications for all other loans must be submitted at least 7 days in advance of the loan.

2. Loan documents must be completed by an authorized signer; please complete and return the Equipment Loan Authorized Signers form.

3. Once you have received approval for the loan, proceed with your purchase and remit payment for equipment through your institution's accounts payable.

4. After payment has been made; submit invoice and proof of payment to the System Office for review, along with the Equipment Loan Origination Document. Please note:

    a. The original paperwork should be held at the institution and a pdf of that payment request be sent to the USMO via email.

    b. All documents should be submitted to the System Office by the 20th of the month. The loan origination date will be the 1st of the following month.

5. Once the review is complete, our office will provide an amortization schedule outlining the payment terms and will transfer the total amount noted on the Equipment Loan Origination Document, not to exceed the total purchase price of the equipment, *to the institution*.

    All forms are available at https://www.usmd.edu/usm/adminfinance/finafair/debt-management/

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Loan Repayment

1. All loans will incur interest at an annual fixed rate of **5.25%** with payments due October 1 and April 1 of each year for the life of the loan. The interest rate will be reviewed at least annually, pending market conditions; the rate for new loans will be announced at the start of each fiscal year. Interest rate volatility may prompt reimplementation of the budget stabilization process.

2. Loans will be offered for terms of 3 or 5 years in order to limit the exposure to interest rate risk. Longer term loans will be considered on a case by case basis, depending on the circumstances of the purchase.

3. The System Office will initiate payments for Kuali institutions. All other institutions should make payments through R*Stars as instructed.

4. Due to current market volatility, we will be reviewing the interest rate on a more regular basis to ensure that we are consistent with state rates; new loans will be issued at the updated rate. In the event rates increase drastically, there is a chance that existing loans will be recast; conversely, we will also reimplement the budget stabilization process should rates decrease notably.