

**CALIFORNIA STATE UNIVERSITY, SAN BERNARDINO**  
**SANTOS MANUEL STUDENT UNION**  
**FINANCE POLICY**

**SUBJECT:** Special Fund Loans  
**REFERENCE:** SMSU Policies Manual; SMSU Operating Agreement; CSU Auxiliary Organizations Compliance Guide; California Education Code § 89904, § 89920; CCR Title 5 § 42500

**Policy:**

A Special Fund Loan is any transaction in which SMSU lends, advances, renews, extends, modifies, guarantees, or otherwise finances another party using restricted, designated, board-committed, or otherwise purpose limited funds, including transactions that are functionally equivalent to loans (e.g., repayable advances, promissory notes, installment agreements, or other debt obligations).

SMSU may consider Special Fund Loans only when the loan:

- Supports SMSU/CSU mission aligned auxiliary purposes;
- Does not violate donor, grant, legal, or fund restrictions;
- Is approved with appropriate transparency and governance; and
- Is documented with enforceable terms and monitored through defined internal controls.

This Policy governs SMSU when acting as lender. Any transaction in which SMSU acts as borrower or issuer of indebtedness shall comply with applicable CSU auxiliary debt management requirements and CCR Title 5 § 42500.

This Policy is intended to ensure that Special Fund Loans are executed in compliance with applicable law, CSU auxiliary requirements, and sound business practices.

**Standard:**

It is the policy of the Santos Manuel Student Union that Special Fund Loans are exceptional (not routine) and will be undertaken only when failure to do so would materially impair a mission aligned purpose and the loan can be structured with appropriate controls, approvals, and repayment protections.

All Special Fund Loans must:

- Be reviewed for legality and policy compliance;
- Be reviewed for fund restriction compatibility;
- Be evaluated for risk, liquidity impact, and operational continuity;

- Receive required approvals (Board and, where applicable, campus President or other system approvals);
- Be publicly agendized and acted upon in compliance with Education Code §§ 89920–89924; and
- Be tracked and reported through a centralized loan register with periodic Board reporting.

No officer, employee, or committee may commit SMSU to a Special Fund Loan without the approvals required by this Policy.

**Approval Authority and Governance:**

**Board Approval Required** - All Special Fund Loans and material amendments (including renewal, extension, rate change, principal or interest forgiveness, payment deferral, subordination, or settlement) require SMSU Board approval in a properly noticed public meeting consistent with Education Code § 89904.

**Committee Role** - The Finance & Contracts Committee (or equivalent) may review and recommend. It does not approve unless the Board has expressly delegated authority in writing with defined thresholds and reporting requirements.

**Campus President Approval (When Required)** - Prior written approval of the University President (or designee) shall be obtained when:

- SMSU issues a debt instrument to finance or refinance a project in connection with its mission, consistent with CCR Title 5 § 42500(c);
- The University is a counterparty, guarantor, or provider of security;
- The transaction materially impacts campus assets, facilities, or credit; or
- The Operating Agreement or CSU policy otherwise requires presidential concurrence.

**Prohibitions:**

SMSU shall not:

- Use a Special Fund Loan to circumvent CSU or campus requirements;
- Lend from funds where restrictions prohibit lending;
- Enter into a loan without a written, fully executed agreement;
- Approve a loan where conflicts of interest are not disclosed and mitigated.

**Conflicts of Interest:**

Board members, officers, and employees shall comply with Education Code §§ 89906–89908 and applicable CSU conflict of interest policies. No individual shall participate in discussion or vote on a Special Fund Loan in which they have a financial interest. Required disclosures and recusals shall be reflected in the meeting minutes.

### **Records Retention:**

All loan documents, approvals, postings, monitoring reports, and related correspondence shall be retained in accordance with SMSU records retention standards and applicable CSU requirements.

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### **Procedure:**

1. Loan Eligibility Review
  - a. Management shall confirm:
    - i. Borrower eligibility (campus related or mission aligned entity);
    - ii. Purpose alignment with auxiliary functions;
    - iii. Identified and lawful repayment source;
    - iv. Fund restriction compatibility.
2. Required Loan Approval Package
  - a. Management must submit a Loan Approval Package to the Finance & Contracts Committee and Board including:
    - i. Purpose and necessity
    - ii. Source of funds analysis
    - iii. Reserve and liquidity impact
    - iv. Borrower authority documentation
    - v. Financial capacity analysis
    - vi. Risk assessment (legal, credit, operational, reputational)
    - vii. Proposed loan terms
    - viii. Legal/policy compliance review documentation
3. Minimum Required Loan Terms
  - a. All Special Fund Loans must include:
    - i. Written agreement and/or promissory note;
    - ii. Payment schedule;
    - iii. Default definitions and remedies;
    - iv. Amendment clause requiring approvals consistent with Policy;
    - v. Borrower reporting requirements (as applicable).
4. Posting and Open Meeting Controls
  - a. Loan actions must:
    - i. Be publicly posted at least one week prior to Board action;
    - ii. Include sufficient agenda description;
    - iii. Include supporting documentation consistent with SMSU posting practices.
  - b. SMSU shall maintain packet version control documentation to support transparency.

5. Accounting and Monitoring
  - a. Management shall:
    - i. Maintain a centralized loan register and subledger;
    - ii. Reconcile balances at least quarterly;
    - iii. Provide quarterly reporting to the Finance & Contracts Committee and Board.
6. Delinquency Escalation
  - a. Late payments trigger:
    - i. Courtesy notice
    - ii. Formal written notice
    - iii. Counsel review (as appropriate)
    - iv. Board notification and recommended action
7. Modifications, Forbearance, or Forgiveness
  - a. Any extension, renewal, deferral, rate change, forgiveness, subordination, or settlement requires:
    - i. Updated borrower financial review;
    - ii. Updated risk assessment;
    - iii. Board approval in a properly noticed meeting;
    - iv. Any required presidential/system approvals.