SOUTHERN METHODIST UNIVERSITY

POLICIES AND PROCEDURES

December 8, 2008

**FRATERNITY AND SORORITY LOAN POLICY**

The University is permitted to loan funds to fraternities and sororities to finance construction, renovation or remodeling projects, subject to the following requirements:

* All applications for loans must be reviewed by the Vice President for Business and Finance and the Vice President for Student Affairs and submitted to the President for approval.
* Loans will only be made for houses located on University-owned land.
* Mortgage loans for houses not owned by the University will only be made to Chapter House corporations, not to the local chapter.
* Interest rates will be established by the University based on prevailing rates at the time of the loan, loan term and amount, as well as consideration of what other fraternities and sororities are paying for existing loans.
* The maximum loan may be for up to 50% of the total project cost, unless an exception is approved by the Vice President for Business and Finance. Total project cost includes construction costs as well as soft costs such as consultant fees, materials testing, project management fees for CPPO services, permits, furnishings, fixtures and equipment, relocation costs, temporary living arrangements, contingency, etc.
* Loans of amounts in excess of one million dollars ($1,000,000) will be reviewed by the Finance Committee of the Board.
* The term of the loan will be no longer than 30 years, or the useful life of the project being financed, whichever is shorter.
* Design and specifications must be reviewed and approved by the University (Campus Planning and Plant Operations [CPPO] and the Vice President for Student Affairs). The University will assign a Project Manager to the project who is responsible for ensuring the infrastructure and systems meet University and University Park requirements. The architecture will be consistent with that on the campus.
* The University (Controller’s Office) is responsible for reviewing financing plans to ensure adequate resources are available to pay the debt service.
* Adequate insurance coverage is required showing the University as the primary named insured party.

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**FRATERNITY AND SORORITY BUILDING CONSTRUCTION POLICY**

This policy is to address requirements for any fraternity and sorority building projects and major renovations to existing space.

An oversight committee chaired by the Vice President for Student Affairs which includes representation from Campus Planning and Plant Operations (CPPO), Student Affairs, and the Controller’s Office will approve any University owned and non-University owned house projects when the house is on University owned land.

**University Owned Houses:**

Criteria for approval includes:

* Projects for houses owned by the University will generally be funded 2/3 by the University and 1/3 by the fraternity/sorority.
  + The funding plan must be approved by the Vice President for Business and Finance
  + The fraternity/sorority funding can come in the form of donations to the University. These donations become the University’s funds. The University will establish a maintenance fund or maintenance endowment with any excess funding received.
  + The University funding will generally be through amortization to the house budget using the prevailing interest rate over a reasonable period of time. Exceptions to this funding or additional budget authority needed must be approved by the Vice President for Business and Finance.
* Funding of projects must generally be in place prior to the approval by the Oversight Committee for construction to commence. For purposes of this requirement, written pledges of at least 80% of the funding anticipated from donations must be in place. Exceptions to this requirement must be approved by the President and/or the Vice President for Business and Finance.
* A contingency plan approved by the Vice President for Student Affairs and the Vice President for Business and Finance must be in place that addresses funding arrangements if either (1) some of the funding from the fraternity/sorority does not come to fruition, and/or (2) other financial issues develop.

The Oversight Committee should, for University-owned house projects, establish a user group to communicate requirements necessary to ensure program needs of the house are met. The user group will be chaired by the Vice President for Student Affairs or designee. Membership may vary, but should include CPPO and Residence Life and Student Housing (RLSH) personnel as well as representation from the fraternity/sorority, such as alumni and/or current members.

A CPPO project manager will be assigned to all fraternity/sorority building projects. CPPO Project Managers for University-owned housing projects are responsible for managing all aspects of the project for the University through the planning, design, construction and warranty phases. The CPPO Project Manager is the liaison among the various constituencies (SMU Administration, architect, construction firm and user group). An exhibit reflecting the responsibilities [(Exhibit A)](http://smu.edu/controller/policies/Fraternity_Sorority_Exhibits.xls) and a chart depicting the relationships of the various involved parties [(Exhibit B)](http://smu.edu/controller/policies/Fraternity_Sorority_Exhibits.xls) are attached.

**Non-University Owned Houses:**

Projects for houses not owned by the University must be funded entirely by the fraternity/sorority. See separate *Fraternity and Sorority Loan Policy* for specific loan requirements.

CPPO Project Managers for housing projects not owned by the University are responsible for protecting the University’s interests. Primary responsibilities of the CPPO Project Manager for these projects include reviewing architectural specifications and construction plans to ensure they are consistent with the current type and quality of architecture, materials, and construction on campus, and to review construction contractors’ pay applications for processing. When draws on any loans are processed, the CPPO Project Manager will inspect the work completed to protect the University’s interests, ensuring it is consistent with the architectural specifications, and that the current pay application requested matches the work that has been completed. The fraternity/sorority for these housing projects not owned by the University have the primary responsibility for the project, and to protect their interests, they are encouraged to engage third party support (project management). Should there be a need for further involvement of the CPPO Project Manager to support/manage the project, the University will negotiate a fee for such services with the fraternity/sorority. An exhibit reflecting the responsibilities [(Exhibit C)](http://smu.edu/controller/policies/Fraternity_Sorority_Exhibits.xls) and a chart depicting the relationships of the various involved parties [(Exhibit D)](http://smu.edu/controller/policies/Fraternity_Sorority_Exhibits.xls) are attached.