



**Municipal Finance
Authority of BC**

November 22, 2019

Re: Equipment Financing Program Interest Rate Change

Please be advised that as of January 1, 2020 the interest rate for the Equipment Financing program will be changed from a daily floating rate, to a fixed monthly rate. Rates for all other short-term loan types will not be impacted by this change.

Currently, changes in the daily variable rate cause fluctuations in the interest component of the fixed monthly payment amount. As a result, we cannot accurately calculate the principal outstanding until the end of each month. Moving to a fixed monthly interest rate will enable clients to pay out Equipment Financing loans at any time (something currently limited to month-end only), which clients have requested the ability to do.

This change should have very minimal financial impact on clients. We have analyzed historical interest costs over the life of the program, and compared them to what interest costs would have been, based on a fixed monthly rate and determined that the impact to clients is minimal. In fact, the fixed monthly rate was approximately 1 basis point less expensive.

Beginning December 31, 2019, we will update the Equipment Financing program interest rate, on our website, on the last business day of each month. The rate will be fixed and will be in effect for the following month (i.e. January 1-January 31).

Should you have any questions or concerns regarding this notice, please contact Lauren Kerr, Credit & Compliance Officer (lauren@mfa.bc.ca).