

### **Appendix C - Rate calculations (Bespoke one off loans)**

In order to ensure that all costs are recovered in full we have created the template below to assess. If the rate that is prescribed by EC Market rate + PWLB rate does not recover the costs in full the table will determine the actually rate that should be used.

The template below can also be used to build in any returns that WLDC would like to make on the loan. Merely enter the figure in "Desired surplus on loan" cell - The rate calculated will then take this into consideration and deliver a minimum of the desired return identified. "Actual return on loan" illustrates the actual return on the loan.

From a Financial perspective I would always recommend ensuring we make a return on the loan, returns to be then held in reserves. This can then be held over for any abortive costs we may experience in scenarios whereby the loan offer is not taken up and we have suffered costs for due diligence works.

#### **Rate Calculator table**

Creditworthiness	Strong	Select entry from list
Collateralisation	Normal 31% - 59%	Select entry from list
<b>EC Market Rate</b>	<b>0.75%</b>	<b>Self Calculating</b>
PWLB Rate	1.16%	Manual entry - PWLB on date of loan
<b>Estimated Rate</b>	<b>1.91%</b>	<b>Self Calculating</b>
Loan period - Years	5	Manual entry
Loan amount	£100,000.00	Manual entry

#### **Assessment of costs**

Interest on Loan received	<b>£9,550.00</b>	<b>Self Calculating</b>
<b>Cost of Loan</b>		
Interest on Loan PWLB	£5,800.00	<b>Self Calculating</b>
Cost of Diligence	£4,000.00	Manual entry
<b>Desired surplus on loan</b>	<b>£5,000.00</b>	Manual entry
<b>Total cost of Loan</b>	<b>£14,800.00</b>	<b>Self Calculating</b>
<b>Is the rate prescribed sufficient?</b>	<b>No use rate below</b>	Self Populating

<b>If No the rate needs to be</b>	<b>2.96%</b>	Self Populating
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<b>Actual return on Loan</b>	<b>£5,000.00</b>
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#### **Key**

Cell requires manual entry (All other cells self calculating)

In the example illustrated above:

We can see that the prescribed rate to be used determined by EC Market rate and our PWLB rate is 1.91%.

This would achieve interest on the loan to be received by WLDC of £9,550.

In this scenario the costs of the loan, due diligence and a desired return of £5,000 mean that WLDC need a return of £14,800.

In order to achieve this return the template calculates that we would require a rate of 2.96% to be applied to the loan.