

title: [ARFC] GHO - Increase Borrow Rate

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## Summary

This publication proposes increasing the GHO Borrow Rate from 3.00% to 4.72%, the proposed sDAI rate.

## Motivation

Over the past week, the GHO peg has been gradually declining, while the supply has been increasing. Users have been minting GHO and subsequently exchanging it for other assets.

Incremental interest rate hikes have not had the desired effect, evident by GHO price continuing to trade lower. The GHO borrowing rate remains significantly lower compared to other stablecoins.

This publication suggests aligning the GHO borrowing rate with the proposed sDAI rate, 4.72%. The aim is to reduce the borrowing discount of GHO relative to other stablecoins before returning to periodic 50bps increases.

The chart below shows the general GHO price downwards trend.

The below shows the borrow rate of GHO relative to other stable coins.

The main types of collateral backing GHO are wstETH (29.68%), wETH (28.84%), wBTC (20.44%) and rETH (8.94%). For reference, sDAI makes up 2.07% of the collateral supporting GHO debt with a current APR of [5.0%](#) which is expected to adjust lower to 4.72%. A large portion of the collateral backing GHO is generating yield which acts to offset borrowing costs.

By increasing the borrow rate to 4.72%, the goal is to improve the peg by reducing the incentive to mint GHO relative to other stable coins. As a result, GHO's growth is expected to slow. This publication prioritises returning GHO to peg over growth.

After implementing this proposal, the community can continue with the current plan [direct-to-AIP process for 50 bps increments every 30 days, as long as the GHO peg is outside 0.995<>1.005 monthly average price range, up to 5.5% borrow rate](#).

## Specification

Asset: GHO

Contract Address: [0x40D16FC0246aD3160Ccc09B8D0D3A2cD28aE6C2f](#)

Current Borrow Rate: [3.00%](#)

Proposed Borrow Rate: 4.72%

New discounted Borrow Rate: ~3.31%

The discount for stkAave holders remains unchanged at 30%.

The Aave Facilitator Bucket Level is to remain at 35.00M units

The AIP will be submitted by [@marcZeller](#) and the ACI team.

## Next Steps

1. Gather community feedback on this ARFC.
2. In 5 days scalate this proposal to the Snapshot ARFC stage.
3. If the snapshot outcome is YAE, escalate the proposal to AIP stage.

## Disclaimer

TokenLogic receives no compensation beyond Aave protocol for the creation of this proposal. TokenLogic is a delegate within the Aave ecosystem.

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