



Bulletin - May 2014

Canada Small Business Financing Program



On Site Visits of the Borrower's Premises

One of the changes to the CSBFP regulations that came into force on April 1, 2014 is that an on-site visit of the borrower's premises can now be used as a non-compliance remedy in the event that security is not enforceable*.

There have been some recent misunderstandings as to what this amendment entails. This bulletin seeks to provide clarity on the topic of on-site visits.

The purpose of the new on-site visit remedy is to address lenders' frustration that prior to April 1, 2014, despite the fact that they took a number of prudent steps in making a loan and taking security, if the security could not be enforced, the government did not share the loss with the lender. Now, in the rare and specific case that security is not enforceable, if the lender has conducted a site visit that meets the requirements of the new regulations, the claim for loss will be paid.

It is important to note that a lender may choose whether an on-site visit of the borrower's premises is conducted or not. It is NOT a mandatory requirement of the CSBFP. A lender may choose not to conduct any on-site visits, or to only conduct on-site visits for higher risk loans. The extent to which on-site visits are conducted is entirely at the discretion of the lender.

An on-site visit merely provides an extra assurance that if security cannot be enforced, that a claim for loss will still be paid (provided the site visit meets Program requirements).

The requirements of this new non-compliance section can be found in [section 25.3 of the CSBF Regulations](#) and are explained in [item 24 of the Guidelines](#). To help ensure a site visit will meet these requirements, we have provided a [Site Visit - Suggested Checklist](#) that outlines the type of information which should be verified during an on-site visit.

It should also be noted that on-site visits may either be conducted by the employees of the lender, or by an agent of the lender. Examples of an agent of the lender include, but are not limited to:

- for equipment loans: a supplier of similar equipment, auctioneer, or expert in the field;
- for leasehold improvements loans: a general construction contractor, a construction estimator, an engineer, an architect, a contractor of that specific leasehold improvement (e.g., a plumber, bricklayer etc.), construction consultant and interior designer; and
- for real property loans: a real estate agent, a real estate appraiser.

In addition, the cost for a third party to conduct an on-site visit can be charged to the borrower as a cost associated with taking security (in an amount equal to or less than that charged on a conventional loan of the same amount). Alternatively, if a lender charges a fee to conduct an in-house site visit for conventional loans, the lender may charge the same fee for a CSBFP loan.

On-site visits of the borrower's premises may be conducted at any time between the date that the loan is approved and 90 days after the final disbursement under the loan agreement.





Please note that the extent to which each financial institution adopts any of the new regulatory changes may vary. Loan officers should seek direction from their head office, regional office or central office.

* See January 2009 Bulletin: Valid and Enforceable Security, and [item 7 of the Guidelines](#) for more information on enforceable security.



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