



## BULLETIN

February 2016

# Canada Small Business Financing Program

## Changes to the Canada Small Business Financing Program

On June 23, 2015, legislative changes to the [Canada Small Business Financing Program \(CSBFP\)](#) increased the maximum loan amount for the purchase or improvement of real property from \$500,000 to \$1 million and amended the definition for small business eligibility from those with \$5 million in gross annual revenues, to those with \$10 million in gross annual revenues.

Further changes to the CSBFP, as a result of amendments to the CSBF Regulations, were enacted on February 19, 2016. These changes address some of the concerns raised by stakeholders during recent consultations. Loan officers should seek direction from their head office or central office to determine how their financial institution will adopt these changes. The modifications are as follows:

### 1. **Increase the repayment term (government coverage) for real property loans from 10 to 15 years.**

For loans made after February 18, 2016, the maximum term (government coverage) for financing the purchase or improvement to real property has been increased from 10 years to 15 years. The term of 10 years for loans to finance equipment and leasehold improvements has not changed.

The calculation of the amount for monthly loan payments can continue to be based on an amortization of greater than 10 or 15 years (for example, a mortgage may be taken on real property with term of 5 years, but whose monthly payments are amortized on the basis of 25 years). Further details are available in the CSBFP Guidelines at [Item 6.1](#).

### 2. **Borrower and landlord not at arm's length**

Sub-section 14(6) of the CSBF Regulations required that lenders take security on a landlord's real property where leasehold improvements are financed and the borrower and landlord were not at arm's length (e.g. a father owned the real property and the son was operating a restaurant in the building). This requirement has been repealed and no longer applies to loans made after February 18, 2016. For further details on security obligations for non-arm's length leasehold improvement loans, please consult [Item 7.1](#) of the Guidelines.

### 3. **Extension of time limitation for claim submissions**

For loans which default after February 18, 2016, lenders will now be able to submit claims for up to 60 months after the date of default instead of the previous 36-month period. This will apply to all loans, irrespective of when the loan was made, so long as the default occurs after the aforementioned date. The calculation of the 60-month claim submission period will begin on the day after which the borrower made the last payment (principal or interest) on a loan under the terms of the loan agreement.

Clarifications on the regulatory changes can be found in the revised [CSBFP Guidelines](#). In addition, [revised forms](#) are also available on the CSBFP website.