



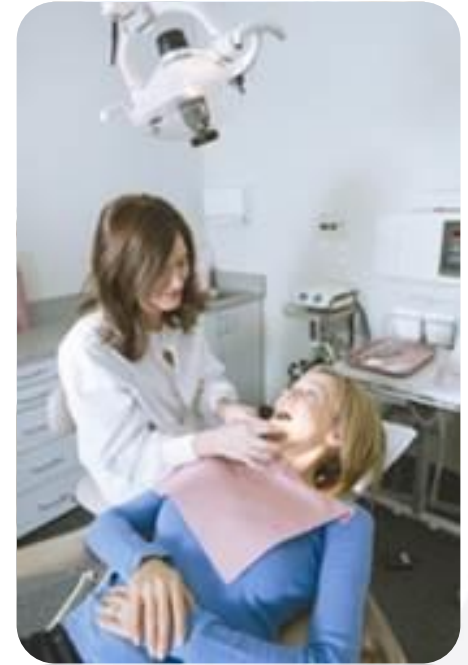
CANADA SMALL BUSINESS FINANCING PROGRAM



Making a Loan

Overview

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- Terms of Loan and Renewal
- Eligibility
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Due Diligence

- Lenders must apply the same [due diligence](#) in making and administering a CSBF loan as they would for a conventional loan.
- Procedures must include, but are not limited to:
 - Credit check on the borrower / guarantor; and
 - Repayment ability of the borrower.



Terms of the Loan and Renewal

- Maximum loan loss sharing coverage varies based on the type of asset financed.
 - 10 years for leasehold improvements and equipment financing;
 - 15 years for real property financing.

The loan amortization can be longer than [10 or 15 years](#).
- Minimum of one principal and interest [payment](#) scheduled per year.
- Loan [renewals and amendments](#) are permitted without the minister's approval and must comply with the guidelines
- Lenders can convert [interest rates and accept prepayments](#).



Eligibility

- Eligible expenditures include:
 - Trade-in equipment;
 - Transportation and installation of assets financed;
 - Non-refundable taxes;
 - Expenditures made within 180 days prior to loan approval; and
 - Decontamination costs.
- Ineligible expenditures include:
 - Working Capital;
 - Franchise fees;
 - Purchase of shares in a corporation;
 - Vendor take back financing;
 - Borrower's labour; and
 - Pre-existing term loans.



Eligibility (continued)

- Eligible expenditures must be supported by [proof of purchases and payments](#).
- Eligibility criteria specific to real property:
 - [50% Rule](#): real property can be financed provided that at least 50% of the property is used to operate the business.
 - [3 year rule](#): the intention of the borrower cannot be to sell the property financed for the next three years.



Required Invoices

What to look for when considering invoices?

- Addressed in the legal name of borrower;
- Contains vendor's name, business address and telephone number;
- Evidence of payment is made out to the vendor (cancelled cheque, attestation from vendor);
- Relationship between the borrower and vendor is at arm's length (same name?, same address?);
- Ensure compliance with the 180 day rule;
- Details of the assets purchased are provided on the invoice (serial number, product number, etc.); and
- Exclude refundable taxes (GST, QST and HST).



Appraisals and Appraisal Conditions

- A lender must obtain an [appraisal](#) for:
 - Non-arm's length transactions;
 - Purchases of all, or substantially all, of the assets of a going concern; and
 - Purchases, from the lender or its representative, of assets financed.
- If an appraisal is required, the amount of the loan must be the lesser of the cost of purchasing and the appraised value of the assets.
- Appraisal made not more than 180 days prior to the loan approval.
- Made by an appraiser member of a professional association.
- [Appraisal from a qualified](#) individual who is at arm's length can be used for equipment or leasehold loans.



Security, Substitution and Release

- Primary security is mandatory:
 - Must be of first rank and valid and enforceable*;
 - Alternate security may be taken;
 - Must be of highest rank available, if prior security exists;
 - Equal ranking applies for pari-passu loans;
 - Equal ranking applies to loans financed on eligible assets within 30 days of disbursement of the CSBF loan;
 - May be released or substituted, if certain conditions are met.
- Additional security can be taken on any other assets of the business.
- A CSBF loan can also be secured by a corporate guarantee and an unsecured personal guarantee.



Registering a CSBF Loan

- Must be registered within 3 months **after** the first disbursement of the loan. May be extended to 6 months if inadvertent.
- Loans can be registered using our [Online Loan Registration Application](#).
- A 2% registration fee* calculated on the amount of the loan is payable electronically or by cheque to Innovation, Science and Economic Development Canada and can be financed.
- The Loan Registration Form must be signed by the lender and borrower.
- Innovation, Science and Economic Development Canada will send an acknowledgement to the lender upon registration.



Administering a CSBF Loan

- A [1.25% administration](#) fee is payable quarterly by the lender. A statement substantiating how the payment was calculated is also required.
- The fee is calculated at the annual rate of 1.25% applied to the end-of-month loan balances during the quarter.
- Must be paid on all loans, including those in default and those where an interim claim was paid.
- An Outstanding Loan Balance Report of all active loans including those in default is submitted to Innovation, Science and Economic Development Canada annually.



Transfer of Loans

Loans can be transferred between borrowers:

- Transfer of loans between borrowers and release of original borrower is permitted if certain [conditions](#) are met.
- Lenders should inform the CSBFP Directorate (e-mail/fax).
- Lenders are required to provide the documentation in the event a claim for loss is filed.

Loans can be transferred between lenders:

- Lenders acquiring the loan must complete the form which must be signed by both lenders and the borrower.



Common Errors/Omissions – Registration Form

Operating address:

- Provide the operating address of the business.

Lender's loan number:

- This number is important in order to reconcile the outstanding loan balance on an annual basis.

Business number:

- Although the business number is not mandatory, lenders are encouraged to provide it to the CSBF Program and to ensure its validity.

Names of shareholders/guarantors:

- If the borrower is a corporation, the name(s) of the shareholder(s) and guarantor(s) must be provided.

Date of first disbursement:

- The registration form must be submitted only after the loan has been disbursed.

Borrower's / Lender's acknowledgement section:

- It is common that the borrower's initials are missing in this section. It is also important to print the name of the person who signs the borrower's or lender's acknowledgement.

To avoid these omissions, use the CSBFP online Loan Registration Application



Reference Tools

- www.canada.ca/csbfp
- [Toolbox for Lenders](#)
 - [Understanding the Program](#) presentation
 - [Realizing on a CSBF Loan](#) presentation
- Toll Free: 1-866-959-1699
- Email: IC.csbfp-pfpec.IC@canada.ca
- Fax: 1-343-291-1837
- Address: 235 Queen Street, Ottawa, Ontario K1A 0H5
- [Order our pamphlet](#)



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