



June 2, 2023

Canada Small Business Financing Program (CSBFP)

Line of Credit – Renewal and Increase

The July 4, 2022 amendments to the *Canada Small Business Financing Regulations* (CSBF Regulations) provide lenders and small businesses with a new line of credit product, which can be used to finance working capital costs up to \$150,000.

This Bulletin seeks to provide clarity relating to the options available before the line of credit expires and also deals with increases in the amount of the line of credit. In the event a lender considers that a particular situation is not addressed in this Bulletin, direction should be sought from the lender's head office, regional or central office who may request information from the Small Business Financing Directorate (SBFD).

1. Options before the CSBFP line of credit coverage expires

1.1 Subsection 10(6) of the CSBF Regulations sets out the options for a line of credit before the end of the 5 year period which starts from the date the line of credit is opened. These options include:

- (a) renew the line of credit for an additional 5 years;
- (b) convert the CSBFP line of credit to a CSBFP term loan; or
- (c) convert the CSBFP line of credit to a lender's conventional loan or line of credit.

1.2 Option (a): renew the line of credit for an additional 5 years:

- Submit a new registration form signed by an authorized representative of the lender and by the borrower before the end of the original 5 year period;
- Pay the 2% registration fee on the amount of the line of credit that is being renewed to the SBFD.

Please note: only one 5 year renewal is permitted. This option means that the maximum coverage period for a line of credit is the initial 5 years plus an optional 5 year renewal period if renewed at the end of the initial 5 years. If however, the line of credit is renewed earlier, the maximum coverage period is an additional 5 years from the renewal date (e.g., renewed at 4 years, maximum coverage period will be 9 years)

1.3 Option (b): convert the CSBFP line of credit to a CSBFP term loan with a maximum term of 10 years which meets the following requirements:

- The interest rate must not be greater than the line of credit maximum (i.e., lender's prime rate plus 5%);
- The term loan must provide a minimum of one principal and interest payment each year, and the first payment is to be scheduled within one year of the date of the conversion;
- The term loan document, signed by the lender and the borrower, sets out the principal amount, the rate of interest, the repayment terms and frequency of the payments and the date of the first payment;
- The lender must continue to pay the administration fee of 1.25% on this CSBFP term loan conversion.

Please note: this conversion option is available before the expiry of the original 5 year period or the optional additional 5 year renewal period.

1.4 Option (c): convert the CSBFP line of credit to a lender's conventional loan or line of credit.

Please note: this conversion option is available at any time.



2. Minister's liability

The Minister's liability (15%) calculation is based on the initial authorized amount of the line of credit and any increase to that authorized amount and will be associated with the 5-year lending period in which the initial line of credit was authorized. This remains true even if the line of credit is renewed for an additional 5 year period or converted to a CSBFP term loan.

3. Increase in the Authorized Amount of the Line of Credit

3.1 An increase in the authorized amount of the line of credit can be completed at anytime and is provided in ss. 4(1.2) of the CSBF Regulations:

4(1.2) If the borrower and the lender agree to an increase in the authorized amount of a loan referred to in paragraph 5(1)(e), the lender must pay a registration fee of 2% of the increase in the authorized amount.

3.2 While a new registration form is not required, the lender should submit a written request to the SBFD as soon as possible after the lender authorizes the increase in the line of credit. In addition, the lender must ensure that the following conditions are met:

- Any increase is subject to the maximum amount of \$150,000 to the borrower and related borrowers;
- Payment of the 2% registration fee on the amount of the increase;
- The legal status of the borrower remains the same as on the initial line of credit registration;
- The line of credit is in good standing and all other terms and conditions of the CSBF Act and Regulations are met (e.g., maximum line of credit amount, security requirements, etc.);
- If applicable, the lender amends the registered security to reflect the increased amount; and
- There are no modifications to the "Borrower Attestation and Consent" section of the original line of credit registration form.

Please note: the line of credit 5 year coverage period is from the original opening date and not from the date the line of credit was increased.

We trust you found this Bulletin useful and informative. As mentioned earlier, if you have any questions or comments, please contact your head office, regional or central office who may request information/clarification from the SBFD.

www.canada.ca/csbfcp

Toll Free Info-line: 1-866-959-1699

Email: csbfp-pfpec@ised-isde.gc.ca