

CANADA SMALL BUSINESS FINANCING PROGRAM

Loan Approval – Key Requirements Checklist

revised July 2022

Requirement	Description	Guidelines
Due Diligence	Lenders must apply the same due diligence requirements as for a conventional loan for the same amount, conduct a credit checks on the borrower and/or shareholder(s), guarantor(s) and complete an assessment of the repayment ability of the borrower.	Item 1
Eligible Borrower	Is the borrower (corporation, sole proprietor, partnership) carrying on or about to carry on a small business?	Item 2.1
Eligible Small Business	<p>Small business must be:</p> <ul style="list-style-type: none"> • carried on in Canada • with annual gross revenues not exceeding \$10 million <p>Ineligible borrowers :</p> <ul style="list-style-type: none"> • Farming – See CALA program 	<p>Item 2.2</p> <p>Item 2.3</p>
Maximum Amount	<ul style="list-style-type: none"> • The maximum loan amount is \$1 million of which no more than \$500,000 can be used to purchase leasehold improvements or equipment. Within the maximum limit of \$500,000 mentioned above, a maximum of \$150,000 can be used to finance intangible assets and working capital costs. • The maximum amount for a line of credit is \$150,000 for the financing of working capital costs. This amount is above the maximum amount of \$1,000,000 applicable to CSBF term loan. • The maximum loan amount includes amounts outstanding to related borrowers. Note: If an individual owns several corporations, each corporation may be eligible for a loan. See Guidelines • Is the loan amount equal to or less than the cost of eligible assets? 	Item 3
Loan Assets	<p>Assets eligible for financing:</p> <ul style="list-style-type: none"> • Real property • Leasehold improvements • Equipment (includes software, vehicles) • Intangible assets and working capital costs • Registration fee <p>Common <u>ineligible</u> assets examples:</p> <ul style="list-style-type: none"> • Share acquisitions • Vehicles for personal use • Assets already financed by a term loan <p>Eligible assets purchased 365 days before loan approval date can be financed whereas eligible assets purchased more than 365 days before loan approval cannot be financed.</p> <p>A line of credit may be made to finance working capital costs necessary to cover day-to-day operating expenses of a business.</p>	<p>Item 4.1.1</p> <p>Item 4.1.2</p> <p>Item 4.1.3</p> <p>Item 4.1.4</p> <p>Item 4.1.5</p> <p>Item 5.2</p> <p>Item 5.1</p>
Proof of Purchase and Payment for term loans only	<p>Proof of purchase and payment (invoices, cancelled cheques etc.) by the borrower have been obtained for loan assets. The invoice must contain a description of the asset.</p> <p>For a line of credit, did the borrower signed the attestation?</p>	Item 5.3
Appraisals Required	<p>Appraisals have been obtained if:</p> <ul style="list-style-type: none"> • Purchase of asset or service from person not at arm's length • Purchase of a going concern (with an allocation of the price for each asset) • Purchase from a lender assets secured by conventional loan <p>Eligible amount of financing is the lesser of cost of purchasing and appraised value</p>	Item 5.5
Terms of the Loan	<p>Do the repayment terms, interest rate, charges and fees comply? :</p> <ul style="list-style-type: none"> • Maximum interest rate for a term loan (including the 1.25% administration fee): <ul style="list-style-type: none"> o floating rate: lender's prime rate plus 3% o fixed rate: lender's posted single family residential mortgage rate plus 3% • at least one payment of interest and one payment of principal must be scheduled to be made each year • Maximum interest rate for a line of credit (including the 1.25% administration fee) is the lender's prime rate plus 5%. 	Item 6

Security	<p>Has security been taken in the financed assets?</p> <ul style="list-style-type: none"> • Security must be a first charge or highest available rank or an alternate security (for leasehold improvements, software, intangible assets, working capital costs and for the line of credit). • Security must be valid and enforceable. A security non-compliance section relates to loans defaulting after March 31, 2014. • Personal guarantees must be unsecured and are optional. 	Item 7
Loan Registration	The loan must be registered within 6 months from date of the first disbursement of loan funds.	Item 9
<p>Note: This document does not represent the comprehensive details of the requirements of the <i>Canada Small Business Financing Act</i> and <i>Regulations</i>. Please consult the complete text of the Guidelines on the Canada Small Business Financing Program website.</p>		