

Business Financing

LOAN PROCESS

ELIGIBILITY CRITERIA & TERMS:

- Small businesses located within the CFDCNV region
- Loans are available to individuals, partnerships, societies, corporations or co-operatives
- Eligible projects must meet the test of viability and environmental sustainability
- Equity contributions by the applicants must be deemed acceptable by the committee
- Security coverage will be required to cover the amount of loan requested
- An interest rate of Prime+3% (minimum of 8%) with regular scheduled payments of principal and interest

PROJECTS THAT WILL NOT BE FINANCED:

- The manufacture, production or sale of alcohol;
- The purchase of franchises;
- Multi-level marketing schemes;
- Gambling establishments;
- Projects of a religious or political nature;
- Restaurants; and
- Projects of a sexual nature.

SUBMISSION MATERIALS FOR APPLICATIONS:

- Loan application package and 1% application fee (minimum \$200 for loan applications under \$10,000.00)
- Client loan submission and due diligence may include the following:
 - Business plan describing the products, operations, marketing, and financial activities and plans
 - Personal net worth statements and biographies
 - Annual financial statements – 3 years if possible
 - Verification of statement from CRA indicating that trust accounts are paid
 - Security, appraisals, environmental studies, other supportive materials
 - Proposed program and financing; breakdowns of the costs and verifications if possible (i.e. construction quotes, equip. purchase invoices, purchase offers or agreements etc.)

APPLICATION REVIEW:

The due diligence credit summary prepared by the CFDCNV loans officer will cover the following areas of analysis:

- Confirmation and follow-up will be done on all information submitted
- Proposed loan terms and conditions by the CFDCNV to the client
- Management; history and competence
- Project analysis; Why? When? How? Confirmation of costs, suitability, community economic impact and benefit

- Personal net-worth statement review; are the sources of funds apparent, any cash drains or cause for concern; should also confirm or address other sources of funds
- Security proposed - costs, liquidation values, and potential for disposal difficulties or high costs
- Equity – levels, format adequacy for the present and future needs of the business
- Working capital – analysis of adequacy for immediate and future needs
- Repayment abilities – historical cash flow generation analysis, forecasts, including supportive evidence for key elements of forecasts, addressing competition, market conditions, etc.
- Environmental commentary – prescribed checklist plus nature of business/business practices review

The Loan Credit Summary will address the following:

- Benefits and risks of the project
- Provide analysis of the viability of the project
- Security to be taken and loan terms

APPROVAL OR DECLINE:

The application is then presented to the Loans Committee for the final decision.

Requests may be declined where the Committee feels that:

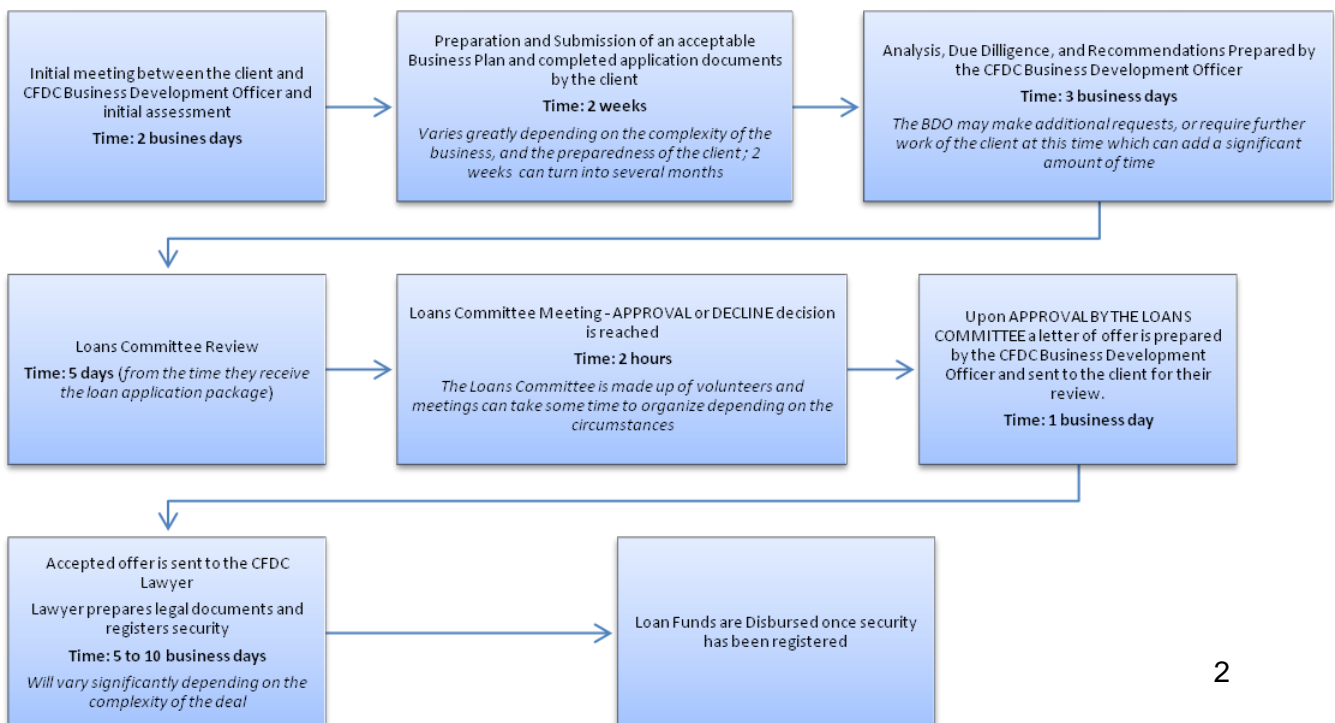
- The project does not fully meet the program criteria
- The risk of failure is too great
- Inadequate security exists for the loan
- Due diligence has not been reasonably completed
- Components of the program do not comply with policies required

LOAN REPAYMENT:

- The normal term for loan repayment is 5 years with monthly installments. The loan amortization varies with the amount and nature of the borrowing.
- Generally Community Futures organizations allow loans to be prepaid at any time without penalty unless otherwise specified.

PROCESS CHART:

Note: the time it takes for this process depends heavily on the preparedness of the client; the times listed here are minimum requirements under ideal circumstances and are very loose estimates



ATTACHMENT “A”

Loan Approval Authorities

Loan Amount	Level	Minimum Application Requirements	Level of Review	General Approval
\$500 - \$10,000	1	Credit check Business concept One year cash flow forecast	Manager and Business Development Officer	Manager And Business Development Officer
\$10,001 - \$15,000	2	Credit check Basic Business Plan One year cash flow forecast	Manager and BDO. Advise Board members	In person Committee meeting. Client may be asked to attend and interview
\$15,001 - \$50,000	3	Credit check Basic Business Plan One year cash flow forecast	Manager and BDO. Full Committee Package must be prepared and 5 days allowed for review	In person Committee meeting. Client may be asked to attend and interview
\$50,001 - \$150,000	4	Credit check Detailed Business Plan 2-5 year cash flow forecast	Manager and BDO Full Committee Package must be prepared and 5 days allowed for review	In person Committee meeting. Client may be asked to attend and interview

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For further information contact:

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