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Lenders should always refer to the Act and Regulations, as they constitute the legal authority for the program. They contain the procedures and conditions for making and administering CSBF loans and for submitting and substantiating claims for loan losses.
The CSBF Program

- Increases access to financing for small businesses as the risk is shared between Innovation, Science and Economic Development Canada and the lenders.

- Operates across Canada through a network of lenders.

- Helps create jobs
Eligibility and Other Criteria

• Start-ups or existing businesses operating for profit with gross annual revenues of $10 million or less.

• Borrower can be sole proprietor, partnership, corporation or cooperative.

• Farming, religious/charitable, and non profit organizations are ineligible.

• Financing is limited to the cost of the following eligible assets: real property, leasehold improvements, equipment.
Eligibility and Other Criteria (continued)

• Total outstanding balance of all CSBF Program loans must not exceed $1 million, including related borrowers (of which no more than $350,000 can be used for leasehold improvements and equipment).

• Related borrowers may each access the maximum loan amount as long as they pass the independent small business test.
Eligibility and Other Criteria (continued)

• The percentage of financing is negotiated between the borrower and lender.

• Other important criteria:
  • Lender may include expenditures/commitments made within 180 days prior to the date on which the loan is approved.
  • Proof of purchase and payment must be obtained.
  • The eligible amount of the loan is the lesser of the eligible cost of the assets purchased and the eligible proof of payment.
# Maximum Loan Size: Example

<table>
<thead>
<tr>
<th>Immovables / Real Property</th>
<th>Equipment and Leasehold Improvements</th>
<th>Registration Fee</th>
<th>Total</th>
<th>Maximum Loan Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,000,000</td>
<td>$0</td>
<td>$20,000*</td>
<td>$1,020,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>$650,000</td>
<td>$350,000</td>
<td>$20,000*</td>
<td>$1,020,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>$0</td>
<td>$340,000</td>
<td>$6,800</td>
<td>$346,800</td>
<td>$346,800</td>
</tr>
<tr>
<td>$300,000</td>
<td>$350,000</td>
<td>$13,000**</td>
<td>$663,000</td>
<td>$656,000</td>
</tr>
<tr>
<td>$350,000</td>
<td>$300,000</td>
<td>$13,000</td>
<td>$663,000</td>
<td>$663,000</td>
</tr>
</tbody>
</table>

*The registration fee cannot be financed since the maximum loan amount has been reached.

**The registration fee of the equipment and leasehold improvements cannot be financed since the maximum loan amount for this loan class has been reached.
Terms of the Loan and Fees

Terms:
• 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 payment of principal and interest **scheduled** per year.

Fees:
• **Maximum interest** rate of 3% over the prime lending rate (variable) or single family residential mortgage rate (fixed).
• For loans made after March 31, 2014, lenders may charge similar fees as for conventional loans of the same amount.
• There is an **administration fee of 1.25%** payable quarterly by the lender and a one-time 2% **registration fee** payable by the borrower. The registration fee may be financed.
Risk Sharing: Government of Canada / Lender

In case of default by a borrower, Innovation, Science and Economic Development Canada will reimburse 85% of the lender’s net eligible loss up to the maximum Minister’s Liability towards the lender.

Minister’s Liability

The limitation of the Minister’s liability to each lender is calculated on the total of loans made and registered for each CSBFP loan lending period of five years based on a 90%-50%-12% formula.
# Minister’s Liability - Example

<table>
<thead>
<tr>
<th>Program</th>
<th>Liability Period</th>
<th>Number of Loans</th>
<th>Value of Loans</th>
<th>Maximum Minister’s Liability</th>
<th>Number of Claims Paid</th>
<th>Value of Claims Paid</th>
<th>Remaining Minister’s Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSBFP</td>
<td>C04 (2014-2019)</td>
<td>150</td>
<td>$8,550,541.</td>
<td>$1,316,065.</td>
<td>0</td>
<td>$0.</td>
<td>$1,316,065.</td>
</tr>
<tr>
<td>CSBFP</td>
<td>C03 (2009-2014)</td>
<td>175</td>
<td>$9,565,143.</td>
<td>$1,437,817.</td>
<td>26</td>
<td>$632,856.</td>
<td>$804,961.</td>
</tr>
<tr>
<td>CSBFP</td>
<td>C02 (2004-2009)</td>
<td>229</td>
<td>$8,703,223.</td>
<td>$1,170,322.</td>
<td>48</td>
<td>$1,170,322.</td>
<td>$0.*</td>
</tr>
</tbody>
</table>

*The Minister will stop paying lender claims for a specific period if the maximum Minister’s Liability is reached.*
How the Program Operates

Role of Innovation, Science and Economic Development Canada:
• Design the program and legislation;
• Ensure awareness of the program;
• Register loans and collect registration and administration fees;
• Review and pay lender’s claims for losses on defaulted loans; and
• Ensure compliance.

Role of Lenders:
• Make credit decisions and disburse funds (lender funds);
• Apply same due diligence as for conventional loans (e.g. credit check & repayment ability of borrower);
• Register loans, remit registration fees and report and pay administration fees; and
• Realize all securities and guarantees (in case of default) before submitting a claim for loss.

Eligible Lenders:
• Members of the Canadian Payments Association;
• Members of a central co-operative credit society that is a member of the Canadian Payments Association; and
• Any other organization designated by the Minister.
Program Activity (2016-17)

- 5,189 loans, totaling $971.2 million
- 60.6% of all loans made were to new businesses (< 1 yr)
- Most popular industry sectors included accommodation and food service (38.5%) and retail trade (%13)

Breakdown by assets financed

- Equipment: 36%
- Leasehold improvements: 26%
- Commercial property: 38%
What’s in it for Lenders?

• Acquire new clients/members and meet the growing needs of businesses.

• Share the risk with Innovation, Science and Economic Development Canada
Reference Tools

- [www.canada.ca/csbfp](http://www.canada.ca/csbfp)
  - Toolbox for Lenders
  - Making a CSBF Loan presentation
  - Realizing on a CSBF Loan presentation

- Toll Free: 1-866-959-1699
- IC.csbfp-pfpec.IC@canada.ca

- Order the CSBFP pamphlet