



GENERAL INFORMATION

Applying for a Community Futures Lesser Slave Lake Region Loan

First steps for obtaining a loan with Community Futures involves contacting the CF office and discussing your idea with a Business Analyst to determine if the application meets basic CF Lending criteria. The business must operate within the CF region and the applicant must be engaged in the day to day operations of the business.

The Community Futures staff is committed to working with clients to ensure that the required business plan and loan application are complete and ready for submission.

When the loan application and business plan are submitted, Community Futures will review the material. Along with a recommendation from Community Futures, a summary of the business plan and financial projections are presented to the Investment Review Committee for the final decision. (The IRC is comprised of local business people and members of the CF Board of Directors).

Loan Types

General Investment Fund – Normally to a maximum of \$150,000

Youth (Ages 18-29) Investment Fund – To a maximum of \$25,000

Disability Fund – To a maximum of \$150,000

Application Fee

A non-refundable application fee of \$50 is required with the loan application. This covers the cost of credit checks and other administration.

Processing Fee

A non-refundable processing fee of \$200 is required when/if the loan is forwarded to the IRC for review. This covers the cost of the formal loan application and administration required for presentation to the IRC.

Loan Approval Process:

The timing for loan approval is different for all clients, depending on the completeness of their application and business plan and their efficiency in getting back to the Business Analyst if further information is requested. Loans can be processed as quick as 10 days or can take longer than 2 months in some cases. The process may also be delayed due to the complexity of the loan. The IRC does not hold regular monthly meetings, the meetings are held as required

Timeline for Loan Disbursement:

Once a loan is approved, Community Futures drafts up a Letter of Offer and loan agreement (called a Business Loan Agreement) outlining the conditions of the loan. The loan will not be processed until a signed acceptance of this offer has been received by Community Futures and all other requirements outlined in the Letter of Offer have been met, including execution of all security documents.

The amount of time it takes for the disbursement of funds depends on the time it takes for:

- The borrower to execute and return all required loan documents.
- The borrower to provide all the *necessary information*. (i.e. confirmation of insurance)
- The *registration of security documents* (i.e. registering a mortgage at land titles takes longer than registering a General Security Agreement)

All legal fees are the responsibility of the client.

Loan Repayment:

The normal term for loan repayment is 5 years or less with monthly installments. The loan amortization varies with the amount and nature of the borrowing.

Paying out Early:

All Community Futures loans can be prepaid at anytime without penalty unless otherwise specified.

Interest Rates:

Interest rates vary with the risk and collateral supplied by the applicant and range from *prime + 2% to prime +6%*.

Criteria used to Approve a Loan:

Loan approvals are based on the following criteria:

- *Character/Credit* of the applicant – credit history, client integrity, management skills, references (personal and business).
- *Capacity/Viability* - the business' ability to meet all financial commitments while still making money. This is demonstrated through the business plan and financial projections.
- *Collateral* - any land, buildings, equipment, vehicles, inventory, accounts receivable and other assets which can be used to secure the loan – quality and value of the security offered will be considered).
- *Capital/Equity* - the amount of money the applicant has or is prepared to invest in the business, networth of the applicants, reserves for emergencies.
- *Conditions* – Industry, labour, environmental, regulatory issues, etc.
- *Fit to the Community Futures Operational Plan* – Diversifying the CF region's economy and creating or maintaining jobs.

Common Reasons Loan Requests are Declined:

- The owner does not have enough equity in the business.
- The business is too risky and/or the products and market are not proven.
- Inadequate cash flow available to service the debt and other business obligations.
- The applicant has not demonstrated that they possess the necessary management skills.
- Poor credit history.
- Inadequate assets to secure the loan.