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## ***Frequently Asked Questions (FAQs)***

### **1. Applying for a Community Futures Loan:**

Community Futures staff are committed to working with clients to ensure that their business plan and loan application are complete and ready for submission to the Investment Review Committee for final approval.

- a. When you submit the loan application and business plan to the Business Officer, it is reviewed for completeness.
- b. Once the Business Officer is satisfied that the business is viable and that all required information is present, a recommendation along with a summary of the business plan and financial projections is sent to the Community Futures Investment Review Committee for final decision.

### **2. Loan Administration Fee:**

A non-refundable fee to a maximum of **\$1,650.00** is required upon board approval of loan and is due at the time of loan disbursement.

### **3. Loan Approval Process:**

Applicants will normally receive an answer on their loan request within (10 working days) of submitting their **COMPLETED** application. The process may be delayed due to the complexity of the loan and completeness of the business plan and loan application.

### **4. Timeline for Loan Disbursement:**

Once a loan is approved, the CF drafts up a 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 the CF.

## 5. Time required to disburse funds once the loan has been approved depends on:

- The borrower to return a signed **Acceptance of the Business Loan Agreement**.
- The borrower to provide all the **necessary information**. (i.e. confirmation of insurance)
- The **registration of security documents**, which is typically done by our solicitor. (i.e. registering a mortgage at land titles takes longer than registering a General Security Agreement)

## 6. All solicitors' fees are the responsibility of the borrower.

## 7. Loan Repayment:

The normal term for loan repayment ranges from 3 - 5 years with monthly installments. The loan amortization varies with the amount and nature of the borrowing.

## 8. Paying out Early:

Generally CFs allow loans to be prepaid at any time without penalty unless otherwise specified.

## 9. Interest Rates:

Community Futures offices generally charge interest rates based upon the risk and collateral supplied by the applicant. The range can be anywhere from **prime + 2% to prime + 4% or more**.

## 10. Criteria used to Approve a Loan:

Loan approvals are based on the following criteria:

### **Character/Credit**

- Credit history of the applicant
- References – personal, business and credit.
- Management Skill – the level of industry and/or business experience the applicant possesses

### **Capacity**

- Viability – the business' ability to meet all financial commitments while still making money. This is demonstrated through the business plan and financial projections.

### **Capital**

- Equity – the amount of money the applicant has or is prepared to invest in the business.

### ***Condition***

- Industry conditions
- Local labour and sector conditions

### ***Collateral***

- Land, buildings, equipment, vehicles, inventory, accounts receivable and other assets which can be used to secure the loan.
- Quality of the collateral (depreciation rate, salability, market conditions)

### ***Community Futures Operational Plan***

- Creates and/or maintains jobs in the CF region.
- Diversifies the CF economy

## **11. Common Reasons Loan Requests are Declined:**

- Poor credit history.
- The applicant has not demonstrated that they possess the necessary management skills.
- Inadequate cash flow available to service the debt and other business obligations.
- 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 assets to secure the loan.

