


Economic Development		Content Updated: 06/11/2015
		Supersedes: NEW
LOAN POLICY		Approved by Resolution No. 2015 06 16
Policy No: ED-004		Amended by: Resolution No.
Pages: 7		Approval: 06/11/2015

LOAN POLICY

PURPOSE

The objective of the loan program is to provide a source of locally administered venture capital to partially finance the start-up or expansion of small business ventures, which may be either part-time, seasonal, or full-time businesses, thereby contributing to economic development within the Rural Municipality of Pipestone.

Policies have been developed by the Rural Municipality of Pipestone Community Development Corporation, to reflect local preferences and needs.

POLICY

A. BORROWER ELIGIBILITY

1. Where an application is made for a loan under this program, the business shall be located within the Rural Municipality of Pipestone. Priority will also be given to persons who are residents of the Municipality.
2. Any person applying for a loan under this program shall be eligible to work in Canada.
3. Where an application for a loan under this program is made for a business which is a sole proprietorship, the application shall be made by and security shall be provided by the person who owns the business.
4. Where an application for a loan under this program is made for a business which is a partnership, the application shall be made by and security shall be provided by all persons who are partners in the business.

5. Where an application for a loan under this program is made for a business which is an incorporated company, the application shall be made by and security shall be provided by the person(s) who are major shareholders in the corporation.
6. Any person applying for a loan under this program shall be at least eighteen (18) years of age.
7. The owner is encouraged to provide other non-credit equity into the business from other sources. Preference will be given to those businesses which have significant levels of other equity.
8. The applicant, whether an individual or incorporated company, shall not be in bankruptcy.

B. BUSINESS ELIGIBILITY

1. The business for which the loan is being applied for must be one which has generated or is expected to generate less than \$250,000 in revenue on an annual basis.
2. The business must be an active for-profit operation, not involved with harvesting or extraction of natural resources (including agricultural production, forestry, gravel removal, or oilfield drilling), or residential real estate services. However, the business could include "value added" operations which add value to agricultural products, such as grain or meat processing, or service related businesses such as welding or other services provided to the oilfield industry, or repair services provided to the agricultural sector.
3. Priority will be given to those businesses which will be creating full-time year round employment. However, businesses which create either part-time or seasonal employment will also be considered.
4. The business must conform to all federal, provincial and municipal government regulations.

C. PURPOSES OF THE LOAN

1. Loans may be used to purchase capital assets, such as buildings, equipment or vehicles, and may also be used to purchase inventory for the business. Priority will be given to those loans which are used for the purchase of buildings, vehicles,

or large items of equipment. Secondary priority will be given to the purchase of inventory or small items of equipment.

2. Loans may not be used to repay existing debt or equity or to refinance the business. In addition, loans may not be used for relending, redemption of shares, paying dividends or bonuses, or payments to or debts of a shareholder, owner, or former owner.

D. TERMS OF THE LOAN

1. The maximum amount of any individual loan to any individual or business is ten thousand dollars (\$10,000.).
2. The maximum term of the loan shall be a period of 5 years from the date of loan approval. However, shorter terms may be negotiated between the applicant and the Community Development Corporation.
3. The rate of interest payable on the loan shall be prime rate plus one percent, with the prime rate being the rate established by Sunrise Credit Union prevailing at the date the loan is approved, and this rate shall remain fixed and constant for the period of the loan, unless otherwise authorized by the Community Development Corporation.
4. The Board of Directors may stipulate that the loan payments may be postponed during the first six (6) months of the loan. In no case shall the first payment shall be made after the first one hundred and eighty (180) days of the date the loan is advanced.
5. When loan payments are commenced, they shall generally be made on a monthly basis, during regular business hours. Where the business is of a seasonal nature, the repayment schedule may be adjusted at the discretion of the Board of Directors of the Community Development Corporation, so that the major portion of the loan repayment occurs during the peak cash flow period of the business, provided that the repayment of principal and interest is equivalent to equal monthly payments over a one year period.
6. Loan payments shall generally be amortized in equal monthly payments over the life of the loan, based on rates established in standard amortization tables, unless otherwise provided for in accordance with clause 5 above.

7. No grants or forgivable loans are permitted to be made by the Community Development Corporation.
8. Where exceptional circumstances arise, such as illness, the Board of Directors may allow loan payments to be postponed for a period of time which is deemed appropriate by the Board.
9. Where a loan is approved by the Board of Directors, the applicant(s) must utilize the funding within 90 days of the date of approval, unless otherwise extended by the Board.
10. The applicant will be encouraged to review business progress with the Board of Directors. The Board reserves the right to request a review of business operations at any time.

E. APPLICATION PROCEDURE

1. All applications for loans shall be submitted in writing to the administrative officer of the Community Development Corporation, during regular hours of business.
2. A loan application shall be signed by the applicant, and shall outline the nature of the business, the purpose and amount of the loan, and such other information as the Board of Directors may require. This could include the amount of and sources of other loan assistance, along with an indication of any assets provided as security for any other loans.
3. Every application for a loan shall be accompanied by a business plan indicating all costs related to the start-up or expansion of the business, along with 2 year forecasts for projected income and cash flow for the business. Standard business planning forms are available and may be provided by the Community Development Corporation.
4. Every application for a loan shall be accompanied by an application fee of fifty dollars (\$50.00), payable to the R.M. of Pipestone Community Development Corporation, which shall be used to partially finance administrative costs related to the loan. Where an application for a loan is denied, the application fee, or a portion thereof, may be returned to the applicant, at the discretion of the Board of Directors.

5. An application for a loan shall be reviewed by the Board of directors of the Community Development Corporation. A decision on any application shall generally be made by the Board within 1 month of the date the application is received. The decision shall include reasons for approval or denial of the loan application, and the decision shall be made by means of a majority vote of the Board of Directors. After a decision is made, a letter of offer or a letter of denial (whichever the case may be) shall be mailed to the applicant.
6. The applicant may also be required to provide for any additional fees that the Board of Directors may incur with respect to the registration of any security that the Board may deem appropriate.

F. EVALUATION CRITERIA

1. Applications for loans will be evaluated on the basis of the following criteria:
 - (a) The eligibility of the business, and the purposes for which the loan is requested, as determined by Sections B and C above,
 - (b) An assessment of the business viability and its prospects for success,
 - (c) The character and credit history of the applicant (based on a credit check),
and
 - (d) An evaluation of the applicant's business plan.

G. REPAYMENT OF THE LOAN

1. Loans made under this program shall be repaid in accordance with the terms and timetable established by this Loans Policy.
2. At the discretion of the Board of Directors of the Community Development Corporation, postponement of loan payments may be granted where the applicant is facing unusual financial difficulties, provided that the applicant provides a written plan to deal with these difficulties.
3. Where a business ceases operations for any reason, or is relocated outside of the jurisdiction of the Community Development Corporation, the outstanding amount of any loan, along with accrued interest, shall be immediately payable to the Community Development Corporation.

H. SECURITY

1. Every person who borrows funds from the Community Development Corporation shall be required to provide the following documents to the administrative officer of the Corporation prior to the advance of funds for the loan:
 - (a) A demand promissory note,
 - (b) A personal guarantee, and
 - (c) At the discretion of the Board of Directors of the Community Development Corporation, a general security agreement.
2. Where a loan is to be issued to a partnership or corporation, all partners or principals which have ownership in the business in an amount exceeding ten percent (10%), shall provide joint and several unlimited personal guarantees.
3. Wherever possible, specific assets of the business should be identified as items to be utilized as security for the loan. The applicant shall ensure that sufficient insurance coverage is provided to protect any assets which are used to secure the loan.

I. DELINQUENCIES AND DEFAULTS

1. Where it appears that information submitted in support of the loan application is inaccurate or a misrepresentation, the matter may be referred to the Board of Directors for further consideration. If in the opinion of the Board, a significant misrepresentation has been made, the Board may direct that any outstanding principal of the loan, along with accumulated interest, be repaid immediately to the Corporation.
2. Where repayments of the loan are not made in accordance with the provisions of this policy and the specific loan application and approval, the account shall be considered to be delinquent, and any overdue amounts shall be subject to interest at the same rate of the loan.
3. Where repayments remain overdue for a period of 60 days, the borrower shall advise the administrative officer of the reasons for the delay in writing. The administrative officer shall forthwith notify the Board of Directors of the circumstances in the matter.

4. Where a loan remains delinquent for a period in excess of four (4) months, the Board of Directors may consider the loan to be in default, and may demand repayment of any outstanding principal and accumulated interest.
5. Where payment is not subsequently received, the Board of Directors may direct that other remedies be taken to recover the loan, including the use of debt collection services or legal proceedings through the small claims court.

J. CONFIDENTIALITY

1. Specific business details, including personal financial information, cash flow forecasts, etc., provided by any person to the Community Development Corporation shall be considered as confidential information by the Board of Directors, and shall not be revealed or divulged to any other person, including general shareholders of the Community Development Corporation.