

## LOAN PROGRAM POLICY

The full Board of Directors shall be advised of all loan inquiries, and by resolution, shall have final approval for acceptance or refusal of all loan amounts, and all terms and conditions, as deemed appropriate in accordance with of the following Policy, the CFA approved Lending Process Manual, the WD Contribution Agreement and any other WD directives issued from time to time.

The following Policy shall be a guideline for traditional lending:

### ***Eligibility –***

1. Loan applicants must have their business within the Community Futures East Parkland (CFEP) region, as outlined in the *Articles of Association*. Depending on the type of venture, loans for businesses outside of the region may be considered.
2. Loan applications shall be accepted for the purpose of establishing, maintaining, or expanding a small business enterprise (SME) that is in accordance with the WD and CFEP mandates.
3. All applications shall be assessed on the following criteria:
  - a. Character
  - b. Capital and equity position
  - c. Capacity to pay
  - d. Collateral available to secure the loan
  - e. Conditions of the borrower's situation
  - f. Economic impact on the community and/or region
4. Applicants shall receive one (1) point for each successful criteria listed above to receive a Client Ranking under the following headings:
  - a. 5 points = excellent
  - b. 4 points = good
  - c. 3 points = fair
  - d. 2 points = marginal
5. Each loan application file shall include, but is not limited to, the following documentation:
  - a. Business plan
  - b. Notice of refusal from another lending agency
  - c. 1-2 letters of reference
  - d. Credit report
  - e. Loan application

6. Each loan application shall be viewed and evaluated on its own merit.
7. Legal Counsel shall complete any additional checks or searches as deemed necessary.

**Application Fees –**

8. A non-refundable application fee shall be charged for each loan, as outlined in the attached Schedule of Fees.

**Terms –**

9. The monthly interest rate shall be set on the first working day of the month. The lowest rate shall be ATB Financial prime plus three and one quarter percent (3.25%) CFEP adjusted.
10. The term of the loan shall be a maximum of five (5) years.

**Applications –**

11. Once an application has been reviewed by the Board, Staff shall notify the applicant in writing via mail, fax or email following review with Legal Counsel.
12. Should the application be successful, the written notice shall advise that approval is conditional to Legal Counsel review and acceptance.
13. Should the application be unsuccessful, the written notice shall advise the Reconsideration of an Application process, as well as alternative funding options that may be available.

**Reconsideration of an Application –**

14. The applicant, the General Manager or a Board member may request a reconsideration of any loan that was refused.
15. Applicants wishing the reconsideration of an application that was refused, shall submit a written request to the Board.
16. At either a Regular Meeting or Special Meeting, the full Board shall invite the applicant to make their appeal in person. The length of time allocated to the appeal shall be at the discretion of the Chair.
17. Applicants unsuccessful with the reconsideration of their application, may be forwarded to the Community Futures Association to be handled within their policies.

***Loan Expiry –***

18. The borrower has sixty (60) days from the loan being approved to draw down the funds. If the funds are not drawn down within this time, the loan will be cancelled. The borrower may request an extension, which shall be granted at the absolute discretion of the Board.

***Legal and Other Fees –***

19. The client shall be responsible for all legal fees incurred throughout the life of the loan, including all costs for amending security.
20. The statement of account for legal services rendered to the date of cancellation shall be payable by the applicant, where the client has decided, at any time, not to proceed with the loan.
21. A non-refundable administrative fee, as outlined in the attached Schedule of Fees, shall be applied to the balance of a loan immediately following the final advancement, for ongoing administrative costs throughout the term of the loan, excluding those fees outlined within this Policy.
22. Clients shall be responsible for submitting bi-annual financial reporting and annual income tax returns, with failure to comply, resulting in CFEP reserving the right to apply a penalty to the balance of the client's loan, as outlined in the attached Schedule of Fees.

***Loans Under \$2,500 –***

23. The General Manager has the authority to approve loan applications for amounts up to and including \$2,500.
24. Applications approved shall require only a promissory note for security.
25. Applications approved must be ratified by the Board at their next Regular Meeting.
26. The non-refundable fee as noted in Section 21 shall be waived.
27. All other conditions of this policy shall apply

***Loans Exceeding \$150,000 –***

28. Loan applications requesting in excess of \$150,000 shall be presented to, and reviewed by, the full Board.

29. An attempt shall be made for joint lending with other traditional or alternative lending agencies, with every effort made not to approve applications that exceed \$150,000.
30. Consideration for approval shall include, but is not limited to:
  - a. Type and scope of the business venture
  - b. Amount application exceeds \$150,000
  - c. Current level of cash on hand
  - d. Legal costs and time related to joint lending vs. exceeding the \$150,000
  - e. The client ranking and current portfolio score
31. For applications approved, full disclosure of the Board's rational behind their decision shall be recorded and kept within the loan file.
32. All other conditions of this policy shall apply.

***Equity Loans –***

33. Loan applications requesting an equity loan shall be presented to, and reviewed by, the full Board.
34. Every effort shall be made to discourage applications for equity loans.
35. For applications approved, full disclosure of the Board's rational behind their decision shall be recorded and kept within the loan file.
36. All other conditions of this policy shall apply.

***Loan Renewals –***

37. All loan renewals shall be brought forward to the Board for approval and shall be dealt with the month prior to the Renewal Notice being sent.
38. The Renewal Notice, as determined by Legal Counsel, shall be sent to the client three (3) months in advance of the renewal date (loan expiry date).
39. A renewal shall be offered automatically unless there has been a concern with the loan in the past, as defined as:
  - a. Client has been delinquent during the history of the loan; or
  - b. Any other circumstances that could potentially adversely affect CFEP's security.
40. The interest rate shall be the current rate set at the time of the Board resolution.

41. Where the loan is not renewed on or before the renewal date, the client shall pay interest on the principle outstanding at the interest rate as per the offer to renew, should the rate be higher, from, and including, the renewal date until the first payment is due pursuant to the renewal terms and conditions, with all outstanding interest to be due and payable as at the date the first payment is due, and if such outstanding interest is not paid, then the interest shall be added onto the principle of the loan.

***Interest Rate Reductions –***

42. Clients may submit a written request to the Board for a reduction in their interest rate to the current rate at the time their letter is presented, provided they meet the following criteria:
  - a. There is more than two (2) years left on the loan
  - b. There is a difference of at least 1.5% in the interest rate
  - c. The loan balance exceeds \$10,000.00
  - d. The client is not delinquent
43. A non-refundable processing fee, as outlined in the attached Schedule of Fees, must be paid to CFEP and the client is responsible for all legal costs incurred to amend the terms of the loan.

***Loan Payment –***

44. The General Manager shall be authorized to hold a payment for up to one (1) month when requested to do so by a client.

***Insurance –***

45. Upon CFEP receiving the first loss payable notification that the client has allowed the insurance to lapse or be cancelled, the client has fourteen (14) days to provide CFEP written evidence from an Insurance Broker that insurance with a first loss payable in favor of CFEP has been procured or reinstated.
46. If the client fails to provide such evidence within that time, CFEP may initiate foreclosure/default proceedings without further notice to the client.
47. In the event the security consists of real property, CFEP has the option of placing insurance on the property with all related costs being applied to the balance of the client's loan.

***Delinquency –***

48. When a payment has not been received on its due date, or it is returned NSF, the General Manager or Accountant shall contact the client.

49. CFEP reserves the absolute right to apply a penalty, as outlined in the attached Schedule of Fees, to the balance of the client's loan for each payment that is not honored by the client's bank for whatever reason.
50. A loan is deemed delinquent after two (2) consecutive missed payments.
51. Upon declaration of delinquency, the Board and/or General Manager shall consult Legal Counsel to seek advice concerning the course of action for security enforcement.
52. It shall be the duty of Legal Counsel, under the direction of the Board, to take any and all steps required to collect on the loan and to enforce all securities held. Legal Counsel shall inform CFEP of all actions as the steps are taken.
53. All legal action taken by Legal Counsel shall be taken with the best interests of CFEP as being forefront. If the Board desires a different course of action, the Board shall instruct Legal Counsel accordingly.
54. Alternative arrangements to collections may be recommended by Legal Counsel, but shall become effective only when approved by the Board.
55. The Board shall make all decisions that involve, or could involve, losses to CFEP.
56. All legal matters relating to collection of delinquent loans and enforcement of security may proceed through Legal Counsel including, at the insistence of the Board and/or General Manager:
  - a. All contact with clients, and any clients who attempt to contact CFEP shall be directed to Legal Counsel
  - b. All funds collected shall flow through Legal Counsel

***Doubtful Accounts / Loan Written Off –***

57. During the annual audit, the General Manager, Accountant, Auditor and Legal Counsel shall consult to review the entire loan portfolio with regards to determining doubtful accounts, loan allowances and whether an account should be written off.
58. Consideration for designating a doubtful account and corresponding loan allowance, or writing an account off shall include, but is not limited to:
  - a. Level of business success
  - b. Delinquency history
  - c. Degree and cost of legal action taken and available to take
  - d. Type and amount of security held

- 59. Decisions made shall be at the discretion of the General Manager, Auditor, Accountant and Legal Counsel, with these recommendations presented to the Audit Committee.
- 60. Board approval of the Annual Audit Report shall deem approval of the annual doubtful accounts and loan allowance amounts.
- 61. The Board shall approve all accounts recommended to be written off.

**Security/Collateral –**

- 62. Any change in the security held for a loan must be approved by the Board.
- 63. The client shall be responsible for all legal costs incurred to amend the terms of the loan.

**Borrowing –**

- 64. The Board is authorized to make use of funds from the Operating Savings Account for loans in keeping with the criteria for loans, including using the funds to commit to Letters of Credit as may be necessary for Borrowers.

**Loan Portfolio Management –**

- 65. The overall portfolio risk shall be calculated based on the client ranking of every client and reported to the Board quarterly.
- 66. The cash-to-loans ratio shall be calculated using the loans outstanding balance (including committed funds) to the percentage of cash on hand (excluding CFLIP contributions), and reported to the Board quarterly.

Unanimously accepted by resolution of the Board of Directors at their Regular Meeting of **November 20, 2017**.

Not present  
Wayne Clark

Not present  
Eric Bloomquist

\_\_\_\_\_  
Ray Reckseidler

\_\_\_\_\_  
Lennard McFarland

\_\_\_\_\_  
Ron McIntosh

\_\_\_\_\_  
Gordon Nichols

\_\_\_\_\_  
Bob Tiltgen

\_\_\_\_\_  
Dale Unland

## **LOAN PROGRAM POLICY – SCHEDULE OF FEES**

The Schedule of Fees is contained within the Loan Program Policy, and may be amended by the Board of Directors as deemed necessary from time to time, without affecting the remaining Loan Program Policy.

### ***Application Fees –***

- a. \$ 50.00 fee for a loan up to \$10,000
- b. \$150.00 fee for a loan greater than \$10,000 to \$50,000
- c. \$200.00 fee for a loan greater than \$50,000 and under \$100,000
- d. \$300.00 fee for a loan \$100,000 or greater

### ***Legal and Other Fees –***

- a. Clients shall be responsible for all legal fees incurred throughout the life of the loan, including all costs for amending security.
- b. Administrative Fee: \$200.00
- c. Bi-Annual Financial and Income Tax Return Penalty: \$100.00 per report

### ***Interest Rate Reductions –***

- a. Processing Fee: \$100.00
- b. Clients shall be responsible for all legal costs incurred to amend the terms of the loan.

### ***Delinquency –***

- a. NSF Fee: \$25.00

### ***Security/Collateral –***

- a. Clients shall be responsible for all legal costs incurred to amend the terms of the loan.

Not present  
Wayne Clark

Not present  
Eric Bloomquist

Ray Reckseidler

Lennard McFarland

Ron McIntosh

Gordon Nichols

Bob Tiltgen

Dale Unland

**Approved November 20, 2017**