

LOAN APPLICATIONS

Frequently Asked Questions

1. **How much money may I borrow?** – Community Futures Yellowhead East (CFYE) can lend up to a combined maximum of \$150,000 between Term loans and Lines of Credit (LOC). LOC maximum is \$50,000. Borrowers are expected to invest a minimum of 10% in unencumbered funds (cash) into the specific project or venture being funded.
2. **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. When the loan application and business plan are submitted, the Business Analyst will review the material. A summary of the business plan and financial projections will be prepared and forwarded to the Investment Review Committee.
3. **Application Fee** A non-refundable application fee **\$100** is required with the loan application. This covers the cost of credit checks and other administration during the application process.
4. **Loan Approval Process:** Applicants will normally receive an answer on their loan request within 10 business 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/or loan application.
5. **Timeline for Loan Disbursement:** Once a loan is approved, CFYE 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 Yellowhead East office.
6. **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 letter.**
 - The borrower to provide all the **necessary information.** (e.g. confirmation of insurance)
 - The **registration of security documents,**
7. **Solicitors' fees are the responsibility of the borrower.**
8. **Loan Repayment:** The normal term for loan repayment is 5 years with monthly installments. The loan amortization varies with the amount and nature of the borrowing.
9. **Paying out Early:** Loans may be paid out early. A penalty of \$200 is applied if more than 50% of the loan is paid out before ½ of the term has expired.
10. **Interest Rate:** The current rate for Community Futures Yellowhead East loans is 9.7%

11. 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 region's economy

12. 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.