

FREQUENTLY ASKED QUESTIONS

This information provides Business Planning and Loan Applicants answers to their most frequently asked questions:

1. Who is Community Futures Highwood:

We are one of 265 'not for profit' autonomous organizations across rural Canada with a mandate to support the Community Economic and Small Business Development needs of our rural regions. We are funded by the Government of Canada and our **lending** programs are under the jurisdiction of the Treasury Board of Canada.

Our shareholders are the Towns of Black Diamond; High River; Okotoks; Nanton; Turner Valley; Vulcan; and the MD of Foothills, MD of Willow Creek; County of Vulcan; and the Kananaskis Improvement District – the Treasury Board of Canada dictates that our client business ventures must be located within these municipal regions.

Our programs include:

- **Free** Business Plan analysis and support
- **Free** Consultation on buying or selling a business
- Small Business Loans
- Youth and Student Small Business Loans... 14 to 29 years of age
- Alberta Youth Entrepreneurial Camp and Scholarships
- Entrepreneurs with Disabilities Small Business Loans

2. We can mentor you through the process of developing your idea and business plan in preparation for talking with your 'Banker'.

3. Before applying for a CFH Loan... all clients must:

- a. Complete a Business Plan satisfactory to the needs of the staff of Community Futures Highwood. Staff will work with you and assist you in this venture free of charge.
- b. You must take the time to discuss your plan with your or another traditional Banking Institution and be rejected... or be referred to us by your banker

4. Applying for a Community Futures Loan – Community Futures staff are committed to working with clients to ensure that the business plan and loan application are complete and ready for submission.

- When the business plan is submitted, the CF staff will review the material, analyse the data, get any unanswered questions satisfied and then, and only then will they accept and process the loan application.
- CF staff will do their due diligence by completing credit bureau reports, checking references, reviewing web side industry data, and other research exercises as required

- CF staff will then complete a summary of the key business plan information, financial projections, and staff research outcomes and then forward this summary along with appropriate attachments to the Investment (Loan) Review Sub Committee for review, analysis and final decision. (The IRC is comprised of 1 Business Owner/Manager who has been municipally appointed from each of 9 of our 10 shareholder regions).
- Some conditions that must be recognized:
 - a. A client must be able to demonstrate a rejection by a traditional lender or the lender is agreeable to CFH lending money to the client in a second place position
 - i. We will also joint venture with your bank
 - b. A client must demonstrate that they have at least 10% of their own capital in their business venture... cash and equipment/tools
 - c. We will not lend against debt consolidation; pay out existing payables nor pay out personal debt invested into the business – we are a ‘go forward’ developmental lender

5. We have 3 categories of loans:

- a. General Loans –Term Loans and Operating Lines of Credit (working capital) for any and all business ventures – **maximum loans to \$150,000** – new start-ups; business purchases; existing business expansion; existing business maintenance
- b. Targeted Loans for Youth – summer businesses run by students; year round businesses for students and youth business loans 14 to 29 – **maximum loans to \$25,000** and at a preferred lower rate... youth may also qualify for the maximum \$150,000 limit as part of the \$25,000 with the balance at regular rates
- c. Loans to Entrepreneurs with disabilities – disabilities can be visible or declared. – **maximum loan values to \$150,000**

6. Application Fee... A non-refundable application fee \$75.00 is required when submitting a loan application... covers cost of credit checks and other administration.

7. Loan Approval Process: Applicants will normally receive an answer on their loan request within 10 working days of submitting their completed application (and a completed Business plan has already been discussed with the CFH). The process may be delayed due to the complexity of the loan and completeness of the business plan and loan application or access to resources and investigation responses.

8. Timeline for Loan Disbursement: Once a loan is approved, the CF staff draft up a **loan letter of offer** outlining the conditions of the loan.

- Upon receiving this signed document back from the client CFH will prepare all legal documents and security documents. The loan will not be processed until a signed acceptance of this offer has been received by the CF.
- **The client will be required to submit a loan legal form preparation fee of \$200.00 with their signed acceptance of the letter of offer.**

9. Time required to disburse funds once the loan has been approved – depends on:

- The borrower returning a signed *Acceptance of the Business Loan Letter of Offer and their \$200 legal document fee.*
- CF staff preparing or having prepared all the necessary legal and security documents for client signature(s).
- The borrower providing all the necessary information and having signed all the necessary legal documents in front of their own lawyer.
- All solicitors’ fees of the client are the responsibility of the borrower.

- The *registration of security documents*, by our staff - registering a mortgage at land titles takes longer than registering a General Security Agreement

10. The first draw on a loan will happen once:

- All Terms, Conditions, and Security requirement are met and appropriate registrations are in place
- The client has paid a onetime Loan Administration fee
 - a. \$150.00 on the first \$30,000 loan value; and
 - b. 0.5% on the balance;
 - c. plus any out of pocket costs incurred by CFH to register documents with Land Titles or Personal Property Registry.

11. Loan Repayment: Loan terms may be from 1 year to 7 years with as high as a 15 year Amortization (normal term is about 3 to 5 years) with monthly P & I payments for term loans and minimum interest payments for Operating Lines of Credit.

12. Paying out Early: Generally CFs allow loans to be prepaid at anytime without penalty unless otherwise specified.

13. Interest Rates: Community Futures normally interest rate is **Bank prime + 4½ %**
 a. **there are some exceptions for a lower rate program.... student and youth business loans especially**

14. Criteria used to Approve a Loan: Loan approvals are based on the following criteria:

- **Community Futures Operational Plan**
 - Creates and/or maintains jobs in the CF region.
 - Diversifies the CF economy
- **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**
 - Personal Guarantee; Life Insurance; General security Agreement
 - As available... land, buildings, equipment, vehicles, inventory, accounts receivable and other assets which can be used to secure the loan.
 - Quality of the collateral (depreciation rate, liquid, market conditions)

15. Common Reasons Loan Requests are Declined:

- Poor credit history *without reasonable* rationale of what happened and what steps have and are being taken to change this trend – reasonable explanations will not disqualify you.

- The applicant has not demonstrated that they possess the necessary management or operational skills at this time.
- Inadequate cash flow available or assumptions not clearly defined to support the projected revenue and expense projections.
- The owner does not have enough equity in the business – at least 10%.
- The proposed business market does not prove viable for this concept.

16. Decision Appeal Process for Clients:

- Rejected Applications/Appeal Process
 - i. An applicant may appeal any CFH decision in writing, outlining their reasons for the appeal and or presenting new information that may help the application strength.
 - ii. Once a written appeal has been received the IRC Chairperson and the General Manager will decide whether or not the appeal has merit to be reconsidered.
 - Appeals will be sent back to the respective Committee for reconsideration only if the appeal contains materially different information from the original proposal or if it can be shown that the initial review was inadequately represented
 - iii. The Committee will review the appeal against the clients request for reconsideration.
 - Should the committee again reject the proposal; the client may again appeal the decision in writing with their reasons, "The Management & Finance Review Committee (MRC)" will review the facts and the rationale and make a final and binding decision on behalf of the organization.



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Growing communities one idea at a time.