

CFH NEW CLIENT INFORMATION

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.

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 –

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 will mentor you through the process of developing your business idea and your 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, if the staff General Manager is satisfied the loan application has merit, he will 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 initial conditions that must be met:
 - a. A client must be able to demonstrate a traditional lender rejection or the lender is agreeable to CFH lending money to the client in a second place position
 - b. A client must demonstrate that they have at least 10% of their own capital in their business venture... cash and equipment/tools (not older than 6 months)
 - c. We will not lend against debt consolidation; pay out existing payables nor pay out personal debt invested into the business

5. We have 3 primary loan products and 2 special Circumstance Loans (d & e):

- 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. Targeted Loans to Entrepreneurs with disabilities – disabilities can be visible or declared. – **maximum loan values to \$150,000**

Special Programs

- d. **Store Front Beautification Loans... Max. \$35,000... at Bank Prime plus 2%...** good repayment terms

6. Application Fee... A non-refundable application fee \$175.00 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.

- The loan will not be processed until a signed acceptance of this offer has been received by the CF.
- Upon receiving this signed Letter of Offer back from the client, CFH will prepare copies of the appropriate legal documents and security documents for the client to take to their own lawyer for independent legal advice and signing.

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*
- CF staff preparing or having prepared all the necessary legal and security documents for client to take to their lawyer.
- The borrower having returned all signed legal documents witnessed and signed by their 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
- The clients providing all the required documentation listed on the Letter of Offer

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 **one-time Loan Document Preparation and Administration Fee** to be determined based upon the amount of the loan
 - a. 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 any time 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***

Criteria used in Loan Approvals:

- **Plan**
 - Creates and/or maintains jobs in the CF region.
 - Diversifies the communities economy
- **Character/Credit**
 - Credit history of the applicant
 - References - personal, business and credit.
 - Management Skill – Owner’s level of industry and/or business experience
- **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 - Amount of Financial Risk the applicant has or is investing in 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)

14. Some Common Reasons Loan Requests are Declined:

- Business venture or loan request falls into a classification where we are prohibited from lending to... debt consolidation, business has services/product that had adult, religious or political content
- Poor credit history *without reasonable* rationale of what happened or current trends.
- Applicant has not demonstrated that they possess the necessary management skills.
- Cash flow assumptions not clearly supported for revenue and expense projections.
- The owner does not have enough equity in the business – at least 10%.

15. Community Futures Highwood Client Loan Decision Appeal Policy

Community Futures Highwood (CFH) is an independent not-for-profit corporation led by a volunteer Board of Directors. The Board of Directors has final authority for all decisions and will ensure its clients are served in a fair and professional manner and that its loan clients will have access to an appeal process.

Appeal Process / Rejected Applications

1. An applicant may appeal a loan decision in writing, outlining their reasons for the appeal and or presenting new information that may help the application viability.
2. A written appeal will be directed to the Investment Review Committee (IRC) Chairperson and the General Manager who will either ask...
 - a. The Board Chair to convene a CFH Management Review Committee (MRC) meeting to review the information presented by the Loan Client and the rationale for the original decline decision... or.
 - b. The IRC Chair may send the appeal directly back to the IRC for reconsideration if the appeal contains materially different information from the original proposal or shows that the initial review was inadequately represented.
3. Should the CFH designated Committee again reject the proposal and the client requests an independent review of the Board's original and subsequent appeal process, the Board of Directors will provide the client with timely access to a process of external appeal provided through the Community Futures South Alberta Region's Appeal/Redress Committee.
 - a. The role of the Community Futures South Alberta Region's Appeal/Redress Committee is to provide an external and independent review of Community Futures Highwood's decision making and internal review processes. However, the Board of Community Futures Highwood maintains all final authority for all decisions.



Fully Furnished Business Offices W/High Speed Wireless Internet

- Hourly; Daily; Weekly; Monthly leases available... up to 1 year
- Offices with minimum 2 year leases also available

Board/Meeting Rooms Available

- Reasonable rates
- Repeat or longer term bookings available

Growing communities one idea at a time.