



# Bulletin

Vol. 1, No 7

Canada Small Business Financing Program

December 1999

## Realization of Assets

(Section 37(3)(4) of CSBF Regulations; Item 2, Section C of the CSBF Guidelines)

SBLA has received a number of inquiries from lenders asking for clarification on what action to take during the realization process and requesting permission to sell or abandon assets taken in support of a guaranteed loan.

Provisions in the Legislation empower lenders to make all necessary decisions related to security realization.

Lenders do **not** require the permission of this Administration to sell or abandon assets taken as security for a guaranteed loan

Lenders record the details of each loan and related security, e.g., asset condition, market value, provincial legislation, etc. As such, they are in a position to deal with the realization process appropriately. Lenders are required to exercise due diligence and to apply the same care as they would while carrying out their regular business.

A detailed explanation of the realization of any asset supported by the appropriate documentation should be submitted with all claims for loss. This documentation should include:

- S description and appraised value of unsold security;
- S description of method used to dispose of security;
- S copies of offers or bids;
- S when realized value is much lower

than appraised value, an explanation as to why the amount realized is considered to be appropriate;

- S when selling to a related party, an independent appraisal should be obtained;
- S detailed justification must be submitted when security is abandoned;
- S when legal action would not be considered cost effective;
- S details of any suspected wrong doing by borrowers and follow-up action taken by lenders; i.e. in case of fraudulent activities: police report, RCMP notification, credit report, etc.
- S any other appropriate documentation.

Once again, lenders are reminded to apply the same policies and procedures used in their normal business practices to minimize the Minister's losses and to determine the cost effectiveness of realizing on security .

## Refund of 2% registration fee

CSBF Regulations 4(10)(a) and Guidelines 4(10)

A partial refund of the registration fee may be authorized in cases where the lender has disbursed less than the full amount of the loan registered. The Minister reduces the amount of the loan registered and refunds the lender the portion of the registration fee attributable to the undisbursed portion of the loan.

To facilitate the refund process, we ask lenders to provide the details of the amounts allocated to each loan class. Please use the classes shown in boxes 25 to 30 of the CSBF loan registration

form, and indicate whether the registration fee is financed through the loan.

If you are applying for a refund of the total registration fee, please clearly indicate the reason why the loan is being cancelled: that is, the reason why the loan is not eligible (the loan was not disbursed, the assets were not acquired, the personal guarantees and suretyships exceed 25% of the amount of the loan, etc.). Prepayment of a loan by the borrower does not constitute a valid reason for applying for a refund of the registration fee if the loan was eligible at the time it was active.

Note that applications for partial or full refund of the registration fee must be made within twelve (12) months after the date of the first disbursement for the loan.

Merry Christmas  
and  
Happy New Millenium

### Small Business Loans Administration

Info Line: (613) 954-5540  
Fax: (613) 952-0290

Internet:  
<http://strategis.ic.gc.ca/csbfa>