



Bulletin

Vol. 2, No 6

Canada Small Business Financing Program

June 2000

Life and/or Disability Insurance

(Reference: s. 13 CSBF Regulations; item 6.3, Section A, CSBF Guidelines)

The Administration has received a number of enquiries from lenders concerning the financing of prepaid premiums for life and/or disability insurance.

The cost of such prepaid insurance is not a class of loan listed under subsection 5 of the *Canada Small Business Financing Regulations*. Such costs cannot be financed using a CSBF loan.

Lenders may require life and/or disability insurance that the borrower and/or the guarantor has to obtain. The cost of such insurance may be charged by the lender to the borrower and such charge does not contravene the provisions of the CSBF Regulations.

The subject of life and/or disability insurance was dealt with in further detail in our Vol. 1 No. 1 Bulletin (June 1999).

Loan Registration Form - Box 23 - Interest Rate

On many occasions, the Administration has had to return Loan Registration Forms to lenders as a result of Box 23 being completed incorrectly. Regardless of whether it is a floating or a fixed mortgage rate, lenders must ensure that

the % above the prime rate or the residential mortgage rate charged to the borrower is entered. The % above the prime rate or the residential rate must not exceed 3%. Both the % above the prime / mortgage rate and the total interest rate are necessary for this Administration to register the loan. We hope this reminder will expedite the processing of registrations.

Claim for Loss Form - Boxes 1 and 4

A reminder that the Administration cannot have a cheque made payable to a lender at one address and send it to another address. The lender's name and address to which payment should be made payable and forwarded should be the same, and, if different from Box 1, should be entered in Box 4 of the Claim for Loss form. The Claim Calculation - Summary will also show the same address as the cheque. Our system does not allow us to do otherwise. If a lender requires that the cheque be forwarded to their attention, that address must be indicated in Box 4. We thank you for your understanding.

Enquiries on our programs

The Administration is receiving many inquiries from lender branches regarding questions of eligibility. The Administration is directing these back to your head office. Please remind your branches that when clarification is

required on a given situation that is not clearly covered in our Acts, Regulations or Guidelines, they are required to seek clarification and direction from their regional or central office. The Administration will provide an interpretation only upon written request from the lender's regional or central office.

Publication of *Bulletin*

Following comments received from lenders, this Administration has decided to publish the bulletin on a quarterly basis, effective June 2000.

Our next issue will therefore be published in September 2000.

Small Business Loans Administration

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