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Small Business Loans Act

**Annual Report on Operations
for the 12-month period ended March 31, 1996**



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Minister of Industry



Ministre de l'Industrie

Ottawa, Canada K1A 0H5

The Honourable L'honorable
John Manley P.C., M.P. c.p., député

His Excellency the Right Honourable Roméo LeBlanc, P.C., C.C., C.M.M., C.D.
Governor General and Commander-in-Chief of Canada
Government House
1 Sussex Drive
Ottawa, Ontario
K1A 0A1

Your Excellency:

In accordance with section 11 of the *Small Business Loans Act*, the undersigned has the honour to put before Your Excellency a report on the administration of the Act for the 12-month period ended March 31, 1996.

Respectfully submitted,

Canada

Contents

	Page
Foreword	1
Introduction	3
Approved Lenders	4
Types of Loans (or Loan Purposes)	4
Operating Results	4
The Crown's Contingent Liability to Approved Lenders	5
Age of Small Business Enterprise Borrowers	7
Employment by Small Business Enterprise Borrowers	7
Background	8

List of Tables

Summary of Operations - Total Program	1
Record of Claim Payments, Recoveries and Receipt of Fees	2
BILs Advanced, Claims Paid, Repayments Made and Principal Balance of BILs Outstanding	3
Summary of BIL Lending, by Type of Lender and by Province	4
BIL Lending by Chartered Banks, by Province *	4a
BIL Lending by Credit Unions, <i>Caisse populaires</i> and Other Cooperative Credit Societies, by Province *	4b
BIL Lending by Trust, Loan and Insurance Corporations, by Province *	4c
<i>Small Business Loans Act - Program Fact Sheet</i>	5

*Lenders that have made significant use of the program during the year under review are individually identified within the indicated tables.

Foreword

The Industry Portfolio works to ensure that Canadian businesses are competitive and in a position to create jobs. Its support for business is particularly directed at the backbone of Canada's economy -- small and medium-sized enterprises (SMEs).

The *Small Business Loans Act* (SBLA) is designed to assist SMEs gain access to term financing under reasonable conditions from participating lending institutions. The SBLA plays a very important role in maintaining an effective instrument of competitiveness for SMEs and in helping SMEs generate jobs and growth for Canadians.

Under the SBLA, a qualifying business enterprise may obtain a Business Improvement Loan (BIL) from an authorized financial institution such as a chartered bank, Alberta Treasury Branches, a credit union, *caisse populaire*, trust, loan or insurance corporation, provided the business' gross revenues are estimated not to exceed \$5.0 million in the year the BIL is approved by a conventional lender.

This Annual Report for the 1995-96 fiscal year is the third since major revisions to the SBLA were implemented April 1, 1993. It reflects a continued demand for the SBLA by financial institutions and entrepreneurs alike, to a level of about \$2.2 billion in the fiscal year ended March 31, 1996, compared to \$4.4 billion in 1994-95, \$2.5 billion in 1993-94 and an average of \$0.5 billion annually during the prior 10 fiscal years.

The importance of BILs to the creation of new businesses and jobs is highlighted herein. In the 1995-96 fiscal year alone, SBLA-assisted entrepreneurs created more than 13 700 new businesses that, at an average of 2.4 incremental jobs per new SME, resulted in 32 900 additional jobs. SBLA-lending to all SMEs during that same fiscal year supported in excess of 81 600 additional jobs for all new and existing SMEs. (*Employment figures revised April 10, 1997*)

Reflecting a trend of business investment in machinery and equipment, nearly three quarters of all BILs were used to help SMEs finance the purchase, installation, renovation, improvement and modernization of equipment, unchanged from the prior fiscal year. The remaining 25% of all BILs were made in respect of financing land and premises. The size of the average BIL has grown by over 0.8% above the average for the previous fiscal year -- from \$64 303 to \$64 820.

Re-engineering of the business practices within the SBL Administration, begun as a result of legislative changes that came into force April 1, 1993, are on-going. The anticipated increase in claims activity is being realized and underlines the need to fundamentally change the way the SBLA is administered. Changes to the SBL Administration's business practices are being made to increase productivity and to improve service to lenders. SBL Administration officials have been working closely with lenders to develop a set of lender guidelines that will be used to clarify the process for many lenders. This is expected to result in fewer routine inquiries to the SBL Administration office. Additionally, the process of consultation with lenders has been a positive experience for both lenders and the SBL Administration. "Notice to Lenders" bulletins are being

sent to lenders to alert them of changes to administrative practices, program interpretations, etc. This increase in proactive communication has been well received. SBL Administration officers have been reassigned to deal with specific lenders as opposed to regions.

This realignment of functions, combined with the centralization of contact points at each of the major lenders, has strengthened relationships between SBL Administration officers and lenders, has reduced incoming telephone calls to the SBL Administration by 80%, and has improved the overall quality of claims submitted. New BIL registration and claim forms were developed and implemented, accompanied by across-Canada training and information sessions with major lenders. Both the BIL registration and claim processes are being examined to find areas where technology can assist and where service can be enhanced.

The re-engineered business processes are to be supported by a new micro-based computer system. This system will be fully integrated and will allow more meaningful manipulation and utilization of data to assist with policy decisions affecting the future of the SBLA. The new system will automatically prepare acknowledgements and correspondence required for BIL registrations, claims for loss, requests for information, etc., and fax them to participating lenders. The use of fax technology is expected to decrease paper burden by 50%. Implementation of the new system is expected late in the 1996-97 fiscal year. Other re-engineering activities, especially those dependent on the new system, will be implemented subsequently.

Clearly, the SBLA plays a key role in helping SMEs find the financing they need. However, the dramatic increase in the use of the SBLA over past three or four years has significantly increased the potential costs of the program. Nevertheless, with changes introduced for BILs made after March 31, 1995, all BILs made after that date are anticipated to generate sufficient revenues through the new fee structure to offset anticipated program costs.

Avant-propos

Le portefeuille de l'Industrie a pour mission de permettre aux entreprises canadiennes d'être concurrentielles et de créer des emplois. Ses efforts visent le fondement même de l'économie canadienne, c'est-à-dire les petites et moyennes entreprises (PME).

La *Loi sur les prêts aux petites entreprises* (LPPE) a été conçue pour permettre aux PME d'obtenir des établissements de crédit participants un financement à terme à des conditions raisonnables. La LPPE joue un rôle très important en procurant aux PME un instrument efficace de compétitivité, et en leur permettant de créer des emplois et d'assurer la croissance de l'économie canadienne.

En vertu de la Loi, une entreprise commerciale admissible peut obtenir un prêt d'une institution financière autorisée comme une banque à charte, une caisse populaire, les *Alberta Treasury Branches*, une *credit union*, une société de fiducie, une société d'assurance ou de prêt, si elle estime que ses revenus bruts ne dépasseront pas 5 millions de dollars durant l'année où le prêt est approuvé par un prêteur traditionnel.

Le présent rapport, qui porte sur l'exercice 1995-1996, est le troisième qui est présenté depuis que d'importantes modifications à la Loi ont été mises en place le 1^{er} avril 1993. Les prêts, qui font l'objet de demandes continues de la part des institutions financières et des entrepreneurs, se chiffrent à environ 2,2 milliards de dollars pour l'exercice terminé le 31 mars 1996, par rapport à 4,4 milliards pour l'exercice 1994-1995, à 2,5 milliards pour l'exercice 1993-1994 et à une moyenne de 0,5 milliard pour les 10 exercices précédents.

Le présent document souligne l'importance des prêts aux petites entreprises (PPE) pour la création d'emplois et de nouvelles entreprises. Durant le seul exercice 1995-1996, les entrepreneurs ayant bénéficié du programme ont créé plus de 13 700 nouvelles PME, qui ont engendré plus de 32 900 emplois supplémentaires, soit une moyenne de 2,4 emplois supplémentaires par nouvelle PME. En ce qui concerne les prêts accordés à toutes les PME en vertu de la LPPE durant ce même exercice, le programme a permis la création de plus de 81 600 emplois dans les PME, nouvelles ou existantes. (*Statistiques sur les emplois révisées le 10 avril 1997*).

Comme pour l'exercice précédent, près des trois quarts des PPE ont permis aux PME de financer l'achat, l'installation, la rénovation, l'amélioration et la modernisation d'équipement, reflétant en cela la tendance actuelle à investir dans la machinerie et l'équipement. Les autres PPE, soit 25 p. 100 du total, ont servi à financer des terrains et des locaux. Le montant moyen des prêts a grimpé de plus de 0,8 p. 100, dépassant la moyenne établie durant l'exercice précédent (une augmentation de 64 303 \$ à 64 820 \$).

La refonte des pratiques relatives à l'administration de la LPPE, qui résulte des modifications législatives qui sont entrées en vigueur le 1^{er} avril 1993, se poursuit. L'augmentation prévue des demandes de réclamations se matérialise et requiert des modifications fondamentales dans la façon dont la LPPE est administrée. Les modifications que nous apportons aux pratiques relatives à

l'administration de la LPPE visent à accroître la productivité et à améliorer le service aux prêteurs. Les agents de l'Administration des PPE ont collaboré étroitement avec les prêteurs, afin d'élaborer un ensemble de lignes directrices destinées à ces derniers, qui leur permettront de mieux comprendre le processus. Nous prévoyons que cela diminuera le nombre de demandes d'information reçues par l'Administration des PPE. De plus, le processus de consultation des prêteurs s'est révélé une expérience positive, tant pour les prêteurs que pour l'Administration. Des bulletins intitulés « Avis aux prêteurs », sont envoyés aux prêteurs pour les informer des modifications qui sont apportées aux pratiques administratives, des interprétations du programme, etc. Cette amélioration de la communication proactive a été très bien accueillie. On a réaffecté les agents de l'Administration des PPE à des prêteurs particuliers plutôt qu'à des régions. Ce remaniement de fonctions, ainsi que la centralisation des points de contact de chacun des principaux prêteurs, a renforcé les relations entre ces derniers et les agents de l'Administration, réduit de 80 p. 100 le nombre d'appels téléphoniques reçus par l'Administration et amélioré, de façon générale, la qualité des réclamations soumises. On a élaboré et mis en place de nouveaux formulaires d'enregistrement de prêt et de réclamation pour pertes qui ont fait l'objet de séances de formation et d'information auxquelles ont participé les principaux prêteurs de tout le Canada. On examine présentement les processus d'enregistrement de prêt et de réclamation afin de déterminer les domaines qui pourraient profiter de l'utilisation de nouvelles technologies et ceux où le service peut être amélioré.

Les nouveaux processus administratifs seront exécutés à l'aide d'un micro-ordinateur. Ce système sera pleinement intégré et permettra une manipulation et une utilisation plus efficaces des données utilisées pour appuyer les décisions relatives à l'avenir de la LPPE. De plus, il préparera automatiquement la correspondance et les accusés de réception relatifs aux enregistrements de prêts, aux réclamations et à l'information, et les enverra par télécopieur aux prêteurs participants. Nous estimons que l'utilisation du télécopieur réduira la paperasse de 50 p. 100. Le nouveau système devrait être mis sur pied à la fin de l'exercice 1996-1997. On procédera ultérieurement à la mise en place d'autres activités de restructuration, particulièrement celles qui relèvent du nouveau système.

De toute évidence, la LPPE joue un rôle clé en permettant aux PME d'obtenir le financement dont elles ont besoin. Cependant, l'utilisation accrue du programme des PPE a fait grimper de façon considérable les coûts éventuels du programme. Toutefois, à la suite des modifications apportées aux PPE après le 31 mars 1995, nous prévoyons que tous les prêts accordés après cette date généreront, grâce à la nouvelle tarification, suffisamment de revenus pour compenser les coûts anticipés du programme.

Introduction

The objective of the *Small Business Loans Act* (SBLA), which has been in force since January 1961, is to encourage lenders in the private sector to increase the availability of loans for the purpose of the establishment, expansion, modernization and improvement of small business enterprises. A firm is eligible for *Business Improvement Loan* (BIL) consideration if it estimates that its gross revenues will not exceed \$5.0 million in the year the BIL is approved by the lender. Up to \$250 000 can be borrowed in respect of land, premises and equipment. The maximum term for these BILs may not exceed 10 years. Farming businesses, which are eligible for loans under a separate program sponsored by Agriculture Canada, are not eligible for BILs; charitable and religious organizations are also not eligible.

Under the SBLA, the Minister was liable to pay, during the period covered by this report, 90% of the amount of any loss sustained by a lender as a result of a BIL made after March 31, 1993, and before January 1, 1996, and 85% in respect of a BIL made after December 31, 1995. Such payments were made only if the lender had minimized its loss through the disposition of the secured assets of the borrower, and provided other legislated requirements were met.¹

In order to offset the above losses and to move the SBLA toward full cost-recovery, the following changes were made to the SBLA and its 1993 Regulations:

1) Concerning a BIL made after March 31, 1995,

- (a) a lender shall pay to the government an annual administration fee of 1.25% of the yearly average of the end-of-month BIL balances outstanding, and
- (b) a lender may offset its cost in respect of the newly introduced administration fee, but only by a concurrent increase in the rate of interest charged to the borrower.

2) Concerning a BIL made after December 31, 1995,

- (a) a lender may not finance more than 90% (compared to 100% previously) of eligible program costs.

¹ The principal legislated requirements relate to:

- eligibility of the borrower as a defined business enterprise;
- eligible purpose for which a BIL may be made;
- maximum amount of the BIL which may be outstanding to an individual borrower at any one time;
- maximum repayment term;
- maximum rate of interest which may be charged to a borrower; and
- minimum security to be taken.

Approved Lenders

Approved lenders include all chartered banks, Alberta Treasury Branches, cooperative credit societies (inclusive of their respective credit unions and *caisses populaires*) and trust, loan and insurance corporations with membership in the Canadian Payments Association. Other organizations, such as members of the Canadian Financing and Leasing Association, that make loans, may, upon application, be designated as approved lenders.

During the past fiscal year, approximately 1500 lending institutions operating from more than 13 000 branches/offices across Canada participated in making BILs to small businesses under the SBLA.

Types of Loans (or Loan Purposes)

During the period covered by this report, BILs made between April 1, 1995, and December 31, 1995, could be granted by an approved lender to finance up to 100% of the borrower's eligible cost and BILs made after December 31, 1995, could be granted up to 90% of the borrower's eligible cost in respect of the following:

- **Land Loans** made for the purchase of land, including any building or structure on the land, necessary for the operation of a business enterprise;
- **Premises Loans** made for the renovation, improvement, modernization, construction and/or purchase of premises necessary for the operation of a business enterprise;
- **Equipment Loans** made for the purchase, installation, renovation, improvement and/or modernization of equipment necessary for the operation of a business enterprise;
- **Fee Loans** made for the purpose of financing the 2% loan registration fee.

Loans to finance inventory, working capital, franchise fees or share purchases are not eligible. A BIL can be used to refinance commitments or expenditures which are otherwise eligible and have been incurred within 180 days prior to the date of the lender's BIL approval.

Operating Results

BILs made during the 1995-96 fiscal year brought total lending under the SBLA to over \$18.2 billion during its 35-year history.

In the fiscal year ended March 31, 1996 (see Table 1):

- more than 34 400 BILs totalling in excess of \$2.2 billion were made; and
- the average size of a BIL exceeded \$64 800 compared with over \$64 300 during the previous 12-month period.

BILs outstanding on lenders' books as of March 31, 1996 (see Table 3):

- totalled in excess of \$6.3 billion; and
- the Crown's contingent liability in relation to this total was about \$1.4 billion (see footnote 2 on page 6).

Of the \$2.2 billion in BILs loaned during the period under review:

- \$1.631 billion, or 73.0%, was used to finance the purchase, installation, renovation, improvement and/or modernization of equipment;
- \$397 million, or 17.8%, was used to finance the renovation, improvement, modernization, construction and/or purchase of premises;
- \$185 million, or 8.3%, was used to finance the purchase of land; and
- \$19 million, or 0.9%, was used to finance 2% loan registration fees.

The Crown's Contingent Liability to Approved Lenders

As soon as a BIL made by an approved lender is registered with the SBL Administration, the Crown is contingently liable to the lender for the reimbursement of any loss the lender may sustain in an amount not exceeding the hereafter stated formulae per legislated lending period:

A) In respect of any BIL that was made prior to April 1, 1993:

- i) 90% of the first \$125 000 in BILs registered;
- ii) 50% of the second \$125 000 in BILs registered; and
- iii) 10% of all subsequent BILs registered.

B) In respect of any BIL that was made after March 31, 1993:

- i) 90% of the first \$250 000 in BILs registered;
- ii) 50% of the second \$250 000 in BILs registered; and
- iii) 10% of all subsequent BILs registered.

Thus, the government will continue to pay to a lender its legislated share of BIL losses for as long as sufficient funds are available in the lender's loss reimbursement account.

The government's contingent liability per approved lender, per lending period, is reduced by the repayment of BILs by borrowers and the reimbursement of BIL losses by the government. No contingent liability remains under the SBLA with respect to BILs made prior to July 1, 1977, i.e., prior to lending period 7, as none of those BILs remain outstanding.

Since July 1, 1977, overall BIL reductions have comprised an aggregate of \$11 338 325 760 representing \$10 823 405 982 in borrowers' repayments and \$514 919 778 in government reimbursements of lenders' BIL losses. The government's payment of \$514.9 million in lenders' losses equates to a claims paid rate of 4.5% on overall BIL reductions of \$11.3 billion.

Together, these payments have reduced the amount of BILs outstanding on the books of all participating lenders as of March 31, 1996, to \$6 331 871 305 (see Table 3).

At that same date, the government's net contingent liability in respect of the \$6 331 871 305 in outstanding BILs had been reduced to a maximum not to exceed \$1 378 823 555.²

\$17 670 197 065	BILs registered between July 1, 1977, and March 31, 1996 (see Table 3)
(\$10 823 405 982)	Borrowers' repayments
(<u>514 919 778</u>)	Crown's loss reimbursements (4.5% of overall BIL reductions) ³
<u>(11 338 325 760)</u>	Overall BIL reductions
\$ 6 331 871 305	BILs outstanding on lenders' books as of March 31, 1996 (see Table 3)

Taken together, the relatively low loss rate (4.5%) for this program and the extensive use thereof (currently over \$2.2 billion per annum) demonstrate the effectiveness of the SBLA in increasing small business access to term debt financing for business improvements, particularly in difficult economic times.

² The Crown's statutory net contingent liability in respect of \$6.332 billion in BILs outstanding as of March 31, 1996, has been calculated at \$1.379 billion, a figure which is estimated to translate to no more than \$500.0 million in actual claim payments by the Crown to conventional lenders during the ensuing 10 fiscal years. Adding \$500.0 million in estimated future claim payments to the \$514.9 million in claims already paid to March 31, 1996, would represent a cumulative loss rate of 5.75% on some \$17.7 billion in BILs made since July 1, 1977.

³ Included in the \$514 919 778 in loss reimbursements paid by the Crown, which represent subrogated debts, are \$98 250 132 which, in accordance with standard procedures, were written off during the 1995-96 fiscal year. This represents a \$66 293 029 increase from the 1994-95 write-off. The increase is the direct result of a process initiated in 1995 to clean up old accounts, still reported as receivables, in respect of which it was determined that no further recoveries could be made.

Années d'activité des petites entreprises emprunteuses

Depuis novembre 1987, tout prêteur doit, relativement à un prêt consenti en vertu de la LPPE, indiquer le nombre d'années d'activité de l'entreprise. Les jeunes entreprises et les entreprises qui démarrent continuent de bénéficier de la plupart des PPE consentis en vertu de la Loi.

Exercice	Années d'activité de l'entreprise				Sous-total	Plus de trois ans	Totaux
	Démar-rages	1 ^{re} année	2 ^e année	3 ^e année			
1988-1989	6 987 39,3 %	1 227 6,9 %	1 424 8,0 %	1 107 6,2 %	10 745 60,5 %	7 013 39,5 %	17 758 100,0 %
1989-1990	5 293 38,3 %	940 6,8 %	1 064 7,7 %	921 6,7 %	8 218 59,5 %	5 585 40,5 %	13 803 100,0 %
1990-1991	4 254 40,0 %	700 6,6 %	710 6,7 %	644 6,1 %	6 308 59,4 %	4 316 40,6 %	10 624 100,0 %
1991-1992	3 921 37,4 %	658 6,3 %	682 6,5 %	660 6,3 %	5 921 56,5 %	4 567 43,5 %	10 488 100,0 %
1992-1993	4 806 36,7 %	828 6,3 %	809 6,2 %	836 6,4 %	7 279 55,6 %	5 813 44,4 %	13 092 100,0 %
1993-1994	14 072 32,6 %	3 120 7,2 %	2 891 6,7 %	2 663 6,2 %	22 746 52,6 %	20 468 47,4 %	43 214 100,0 %
1994-1995	24 441 36,0 %	5 541 8,2 %	4 491 6,6 %	3 610 5,3 %	38 083 56,1 %	29 838 43,9 %	67 921 100,0 %
1995-1996	13 742 39,9 %	3 502 10,2 %	2 599 7,5 %	1 983 5,8 %	21 826 63,4 %	12 627 36,6 %	34 453 100,0 %

Nombre d'employés dans les petites entreprises emprunteuses

Depuis novembre 1987, les prêteurs font aussi état, relativement aux PPE consentis dans le cadre de la Loi, du nombre d'emplois fournis par les petites entreprises emprunteuses. Les données qui suivent concernant le nombre d'emplois ont été fournies par les prêteurs, à la lumière des renseignements donnés par les emprunteurs. (*Statistiques sur les emplois révisées le 10 avril 1997*).

Exercice	Nombre d'emprunteurs	Nombre total d'emplois fournis par des emprunteurs	Nombre d'emplois moyens par emprunteur	Nombre d'emplois additionnels	
				Total	Par emprunteur
1988-1989	17 758	83 678	4,7	37 290	2,1
1989-1990	13 803	63 125	4,6	36 963	2,7
1990-1991	10 624	50 433	4,7	25 549	2,4
1991-1992	10 488	47 910	4,6	25 250	2,4
1992-1993	13 092	58 064	4,4	23 928	1,8
1993-1994	43 214	248 563	5,8	90 060	2,1
1994-1995	67 921	376 935	5,5	162 120	2,4
1995-1996	34 453	166 898	4,8	81 657	2,4

Historique

Le présent rapport annuel sur les activités reliées à la LPPE est présenté par le ministre de l'Industrie. Les renseignements de base suivants précisent la distribution des responsabilités en vigueur pendant la période visée par le présent rapport.

1. Le 5 juin 1987, le ministre responsable de la *Loi sur l'Agence de promotion économique du Canada atlantique* est devenu, aux fins de la LPPE, le ministre désigné relativement aux petites entreprises situées dans les provinces du Nouveau-Brunswick, de la Nouvelle-Écosse, de l'Île-du-Prince-Édouard et de Terre-Neuve⁴.
2. Le 4 août 1987, le ministre de la Diversification de l'économie de l'Ouest est devenu, aux fins de la LPPE, le ministre désigné relativement aux petites entreprises situées dans les provinces du Manitoba, de la Saskatchewan, de l'Alberta et de la Colombie-Britannique⁵.
3. Le 13 juin 1991, le ministre responsable du Bureau fédéral de développement régional (Québec) est devenu, aux fins de la LPPE, le ministre désigné relativement aux petites entreprises situées dans la province de Québec.
4. Le ministre de l'Industrie continue d'être, aux fins de la LPPE, le ministre désigné relativement aux petites entreprises situées dans la province de l'Ontario de même que dans les Territoires du Nord-Ouest et dans le territoire du Yukon. Il demeure le ministre responsable de tous les autres aspects de la LPPE⁶.

Le 25 janvier 1996, on a désigné le ministre de l'Industrie comme responsable de l'Agence de promotion économique du Canada atlantique et du Bureau fédéral de développement régional (Québec) ainsi que comme ministre de la Diversification de l'économie de l'Ouest.

⁴ Dans le présent rapport, on désigne par « Canada atlantique » l'ensemble de la région.

⁵ Dans le présent rapport, on désigne par « ouest canadien » la région comprenant les quatre provinces.

⁶ Dans le présent rapport, on désigne par « l'Ontario et les territoires » la région comprenant l'Ontario et les deux territoires.

Any questions respecting this Annual Report or other aspects of this program should be addressed to:

Director
Small Business Loans Administration
Industry Canada
235 Queen Street
Ottawa, Ontario
K1A 0H5

Table 1

Summary of Operations -- Total Program

Period	Business Improvement Loans (BILs) Made		Average Size of BIL \$	Claims Paid	
	Number	Amount \$		Number	Amount \$
12 months ended Dec. 31					
1961-1969	20 865	195 424 436	9 366	142	873 289
1970-1974	12 461	133 312 215	10 698	122	697 286
1975	4 835	82 003 157	16 960	35	237 093
1976	5 106	91 893 663	17 997	42	231 896
1977	5 001	99 636 016	19 923	72	632 794
1978	7 321	176 760 504	24 144	122	1 380 584
1979	10 822	268 786 603	24 837	152	1 788 619
1980	16 830	421 407 563	25 039	242	3 825 688
1981	17 546	522 529 088	29 781	390	6 761 102
1982	17 378	450 863 534	25 945	561	11 705 508
1983	26 484	712 845 493	26 916	998	22 283 733
3 months ended March 31					
1984	7 601	211 368 934	27 808	368	10 724 817
12 months ended March 31					
1985	34 743	1 005 937 892	28 954	1 533	29 079 005
1986	23 587	737 228 550	31 256	1 884	44 433 240
1987	21 143	709 286 075	33 547	1 524	37 066 765
1988	18 665	683 819 836	36 636	1 457	35 052 253
1989	17 758	682 667 264	38 443	1 436	32 345 578
1990	13 802	539 050 494	39 056	1 224	32 951 533
1991	10 626	413 258 423	38 891	1 556	33 286 976
1992	10 557	397 274 533	37 631	1 927	45 924 377
1993	13 156	502 273 250	38 178	1 826	45 181 595
1994	43 349	2 548 700 138	58 795	1 376	32 479 122
1995	68 380	4 397 039 698	64 303	1 015	23 962 663
1996	34 453	2 233 230 531	64 820	2 003	65 868 628
Total	462 469	18 216 597 890	39 390	22 007	\$18 274 144

- Note:
- 1) Subsequent to the December 31, 1983, calendar year, the reporting period was changed to coincide with the federal government's fiscal year-end of March 31.
 - 2) Statistics shown above under "BILs Made" and "Average Size of BIL" for the year ended March 31, 1995, and prior periods may differ from those presented in previous Annual Reports because of late registration of BILs and sundry adjustments.

Table 2

Record of Claim Payments, Recoveries and Receipt of Fees

Period	Claims Paid				Recoveries of prior years' claims \$	Sub-total claims paid less all recoveries \$	Receipt of fee income \$	Total of claims less recoveries, less fees \$
	Number	Gross \$	Recoveries \$	Sub-total Net \$*				
12 months ended Dec. 31								
1961-1969	142	873 289	-	873 289	(2 386)	870 903	-	870 903
1970-1974	122	697 286	-	697 286	(56 640)	640 646	-	640 646
1975-1979	423	4 270 986	-	4 270 986	(94 132)	4 176 854	-	4 176 854
1980	242	3 825 688	-	3 825 688	(62 036)	3 763 652	-	3 763 652
1981	390	6 761 102	-	6 761 102	(88 662)	6 672 440	-	6 672 440
1982	561	11 705 508	-	11 705 508	(63 385)	11 642 123	-	11 642 123
1983	998	22 283 733	-	22 283 733	(178 500)	22 105 233	-	22 105 233
3 months ended March 31								
1984	368	10 724 817	-	10 724 817	(44 625)	10 680 192	-	10 680 192
12 months ended March 31								
1985	1 533	29 079 005	-	29 079 005	(670 000)	28 409 005	-	28 409 005
1986	1 884	44 454 693	(21 453)	44 433 240	(592 178)	43 841 062	(7 101 331)	36 739 731
1987	1 524	37 331 898	(265 133)	37 066 765	(507 944)	36 558 821	(7 172 167)	29 386 654
1988	1 457	35 379 304	(327 051)	35 052 253	(1 102 547)	33 949 706	(6 639 065)	27 310 641
1989	1 436	32 675 582	(330 004)	32 345 578	(1 004 661)	31 340 917	(6 887 911)	24 453 006
1990	1 224	33 562 975	(611 442)	32 951 533	(1 364 747)	31 586 786	(5 545 077)	26 041 709
1991	1 556	33 653 689	(366 713)	33 286 976	(1 729 656)	31 557 320	(4 179 079)	27 378 241
1992	1 927	46 424 478	(500 101)	45 924 377	(1 655 259)	44 269 118	(3 931 474)	40 337 644
1993	1 826	45 938 930	(757 335)	45 181 595	(1 733 998)	43 447 597	(4 755 772)	38 691 825
1994	1 376	32 916 740	(437 618)	32 479 122	(1 943 207)	30 535 915	(47 080 551)	(16 544 636)
1995	1 015	24 092 391	(129 728)	23 962 663	(1 498 581)	22 464 082	(78 307 287)	(55 843 205)
1996	2 003	65 984 760	(116 132)	65 868 628	(1 249 607)	64 625 113	(53 599 251)	11 025 862
Total	22 007	522 636 854	(1 862 710)	518 774 144	(15 642 751)	503 137 485	(22 198 965)	277 918 520

* Corresponds to table 1

This table provides SBLA's historical cash flows but does not reflect future claims for loss in respect of outstanding business improvement loans.

The relatively large receipt of the fee income during fiscals 1993-94, 1994-95 and 1995-96 is the result of a significant increase in BIL lending during these three years concurrent with a doubling in the one-time up-front loan registration fees from 1% to 2%. A considerable increase in claims for loss must likely be paid by the government to lenders, particularly during the 3rd, 4th and 5th years following fiscals 1993-94, 1994-95 and 1995-96, with such claim costs expected to be fully offset by revenues.

Table 3 BILs Advanced, Claims Paid, Repayments Made and Principal Balance of BILs Outstanding

Lending Periods	Loans made \$	Balance of Loans Outstanding as at March 31, 1996 *	Total Principal Reductions Made \$	Claims Paid by Government to Lenders \$	Principal Reductions made by Borrowers \$
Period 1: Jan. 19/61 - Dec. 31/63	74 549 220	0	(74 549 220)	(722 023)	(73 827 197)
Period 2: Jan. 1/64 - Dec. 31/66	72 662 656	0	(72 662 656)	(471 468)	(72 191 188)
Period 3: Jan. 1/67 - Dec. 31/69	48 212 560	0	(48 212 560)	(285 712)	(47 926 848)
Period 4: Jan. 1/70 - June 30/71	23 140 841	0	(23 140 841)	(352 401)	(22 788 440)
Period 5: July 1/71 - June 30/74	86 339 365	0	(86 339 365)	(830 647)	(85 508 718)
Period 6: July 1/74 - June 30/77	241 496 183	0	(241 496 183)	(5 054 826)	(236 441 357)
Sub-total ** Jan. 19/61 - June 30/77	546 400 825	0	(546 400 825)	(7 717 076)	(538 683 749)
Period 7: July 1/77 - June 30/80	672 550 774	122 917	(672 427 857)	(40 807 189)	(631 620 668)
Period 8: July 1/80 - Mar. 31/83	1 354 210 176	1 694 058	(1 352 516 118)	(100 315 258)	(1 252 200 860)
Period 9: Apr. 1/83 - Mar. 31/85	1 799 607 317	2 068 964	(1 797 538 353)	(73 103 633)	(1 724 434 720)
Period 10: Apr. 1/85 - Mar. 31/90	3 352 052 222	59 020 470	(3 293 031 752)	(177 446 416)	(3 115 585 336)
Period 11: Apr. 1/90 - Mar. 31/93	1 312 806 207	227 189 771	(1 085 616 436)	(62 402 461)	(1 023 213 975)
Period 12: Apr. 1/93 - Mar. 31/96	9 178 970 369	6 041 775 125	(3 137 195 244)	(60 844 821)	(3 076 350 423)
Sub-total ** July 1/77 - Mar. 31/96	17 670 197 065	6 331 871 305	(11 338 325 760)	(514 919 778)	(10 823 405 982)
Total ** Jan 19/61 - Mar. 31/96	18 216 597 890	6 331 871 305	(11 884 726 535)	(522 626 854)	(11 362 089 731)

* As reported by lenders at time of printing.

** The Sub-total and Total amounts may be slightly off as a result of rounding.

Table 4

Summary of BIL Lending, by Type of Lender and by Province
April 1, 1995 -- March 31, 1996

Lender	Chartered Banks under the <i>Bank Act</i>		Credit Unions, <i>Caisse</i> <i>populaires</i> and Cooperative Credit Societies		Trust, Loan and Insurance Corporations		Alberta Treasury Branches		Total Lending	
Province	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$
B.C.	2 850	189 663 121	97	5 499 998	229	16 991 425	0	0	3 176	212 154 544
Alberta	2 547	155 746 990	150	9 238 573	246	18 475 962	360	29 525 956	3 303	212 987 481
Sask.	1 168	57 083 094	383	21 358 550	29	1 940 121	0	0	1 580	80 381 765
Manitoba	790	45 291 441	191	10 573 877	39	3 583 375	0	0	1 020	59 448 693
Western Canada	7 355	447 784 646	821	46 670 998	543	40 990 883	360	29 525 956	9 079	564 972 483
Ontario	9 769	692 239 519	216	16 504 085	430	40 662 385	0	0	10 415	749 405 989
N.W.T.	51	3 315 954	0	0	1	45 288	0	0	52	3 361 242
Yukon	48	4 094 801	0	0	2	137 541	0	0	50	4 232 342
Ontario & Territories	9 868	699 630 224	216	16 504 085	433	40 845 214	0	0	10 517	756 999 573
Quebec	5 832	385 717 270	6 016	321 318 084	254	25 173 788	0	0	11 932	732 209 142
N.B.	940	61 585 231	31	2 444 975	37	3 645 215	0	0	1 008	67 675 421
N.S.	994	55 106 785	54	2 600 145	47	4 924 534	0	0	1 095	62 631 464
P.E.I.	260	13 593 864	3	202 704	5	544 203	0	0	268	14 340 771
Nfld.	524	33 482 552	0	0	10	919 091	0	0	534	34 401 643
Atlantic Canada	2 718	163 768 432	18	5 247 824	99	10 033 043	0	0	2 905	179 049 299
Total	35 623	1 696 920 622	7 141	389 740 991	1 329	117 047 928	260	29 525 956	14 453	2 231 730 497

Table 4a

BIL Lending by Chartered Banks, by Province
April 1, 1995 -- March 31, 1996

Province	Chartered Banks that Individually Made \$2 330 000 or More in BILs									
	The Royal Bank of Canada		Bank of Montreal		The Bank of Nova Scotia		Canadian Imperial Bank of Commerce		The Toronto-Dominion Bank	
	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$
B.C.	430	31 487 832	736	45 566 896	611	41 537 673	275	21 258 632	595	33 951 527
Alberta	438	31 727 232	384	24 466 395	485	25 324 728	744	45 203 582	360	16 555 250
Saskatchewan	339	15 194 707	190	9 528 530	295	15 100 407	225	10 901 690	100	4 822 046
Manitoba	161	8 282 846	118	7 676 529	259	15 615 757	113	6 123 550	137	7 192 759
Western Canada	1 368	86 692 617	1 428	87 238 350	1 650	97 578 565	1 357	83 487 454	1 192	62 521 582
Ontario	1 887	138 580 892	1 717	133 294 774	2 012	128 326 380	1 641	116 205 488	2 041	130 446 923
N.W.T.	9	682 261	13	731 124	6	678 001	19	1 104 767	4	119 801
Yukon	3	165 316	19	1 054 356	6	1 164 179	1	65 000	18	1 396 050
Ontario & Territories	1 899	139 428 469	1 749	135 080 254	2 024	130 168 560	1 661	117 375 255	2 063	131 961 774
Quebec	1 127	75 339 309	1 018	67 037 658	313	20 477 020	479	32 218 277	420	27 164 815
New Brunswick	161	12 911 714	99	5 569 674	356	19 696 995	76	4 365 871	130	8 956 468
Nova Scotia	249	16 991 927	85	3 793 298	431	21 775 753	91	5 580 894	115	5 052 399
P.E.I.	32	2 070 066	45	2 111 678	55	1 920 692	79	3 198 442	44	4 005 346
Newfoundland	70	5 696 039	135	9 001 502	220	10 103 686	46	4 030 275	46	3 646 250
Atlantic Canada	512	47 669 746	364	20 476 152	1 062	53 497 126	292	17 175 462	335	21 660 463
TOTAL	4 906	339 130 141	4 559	309 832 414	5 049	301 721 771	3 789	250 256 468	4 010	243 409 634

Table 4a (continued)

BIL Lending by Chartered Banks, by Province
April 1, 1995 -- March 31, 1996

Province	Chartered Banks that Individually Made \$2 330 000 or More in BILs								BILs Made by All Other Chartered Banks	Total BIL Lending by All Chartered Banks		
	The National Bank of Canada		Hongkong Bank of Canada		Laurentian Bank		Banca Commerciale Italiana of Canada			Number	Amount \$	
	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$
B.C.	1	63 000	188	14 114 438	0	0	0	0	14	1 683 123	2 850	189 663 121
Alberta	2	155 375	123	11 512 854	2	129 273	0	0	9	672 301	2 547	155 746 990
Saskatchewan	0	0	19	1 535 714	0	0	0	0	0	0	1 168	57 083 094
Manitoba	1	250 000	1	150 000	0	0	0	0	0	0	790	45 291 441
Western Canada	4	468 375	331	27 313 006	1	129 273	0	0	23	2 355 424	355	441 784 646
Ontario	185	18 852 691	203	18 624 869	24	2 131 091	36	3 543 198	23	2 233 213	9 769	692 239 519
N.W.T.	0	0	0	0	0	0	0	0	0	0	51	3 315 954
Yukon	0	0	1	249 900	0	0	0	0	0	0	48	4 094 801
Ontario & Territories	185	18 852 691	204	18 874 769	24	2 131 091	36	3 543 198	23	2 233 213	9 868	699 650 224
Quebec	2 043	137 578 652	64	4 629 466	173	15 961 971	22	3 256 100	73	3 054 002	4 582	385 717 270
New Brunswick	113	9 634 393	5	450 116	0	0	0	0	0	0	940	61 585 231
Nova Scotia	8	788 225	15	1 124 289	0	0	0	0	0	0	994	55 106 785
P.E.I.	5	287 640	0	0	0	0	0	0	0	0	260	13 593 864
Newfoundland	2	499 002	5	505 798	0	0	0	0	0	0	524	33 482 552
Atlantic Canada	128	11 209 260	25	2 080 383	0	0	0	0	0	0	2 718	163 768 432
TOTAL	2 468	169 108 978	624	\$2 897 444	199	18 222 335	58	5 799 298	69	7 642 639	25 623	1 656 920 622

Table 4b

BIL Lending by Credit Unions, *Caisse populaires* and Other Cooperative Credit Societies, by Province
April 1, 1995 -- March 31, 1996

Lender	Credit Unions, <i>Caisse populaires</i> and Other Cooperative Credit Societies that Individually Made \$2 330 000 or More in BILs										
	Province		Lloydminster Credit Union Ltd.	<i>Caisse populaire de Hearst Limitee</i>	<i>Caisse populaire de Ville d'Alma</i>	<i>Caisse populaire la Tuque</i>	<i>Caisse populaire Notre-Dame de Bellerive</i>				
	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number
B.C.	0	0	0	0	0	0	0	0	0	0	0
Alberta	7	424 320	0	0	0	0	0	0	0	0	0
Saskatchewan	45	3 043 341	0	0	0	0	0	0	0	0	0
Manitoba	0	0	0	0	0	0	0	0	0	0	0
Western Canada	52	3 467 661	0	0	0	0	0	0	0	0	0
Ontario	0	0	29	3 313 566	0	0	0	0	0	0	0
N.W.T.	0	0	0	0	0	0	0	0	0	0	0
Yukon	0	0	0	0	0	0	0	0	0	0	0
Ontario & Territories	0	0	29	3 313 566	0	0	0	0	0	0	0
Quebec	0	0	0	0	64	3 158 323	43	2 962 468	41	2 670 072	0
New Brunswick	0	0	0	0	0	0	0	0	0	0	0
Nova Scotia	0	0	0	0	0	0	0	0	0	0	0
P.E.I.	0	0	0	0	0	0	0	0	0	0	0
Newfoundland	0	0	0	0	0	0	0	0	0	0	0
Atlantic Canada	0	0	0	0	0	0	0	0	0	0	0
TOTAL	52	3 467 661	29	3 313 566	64	3 158 323	43	2 962 468	41	2 670 072	

Table 4b
(Continued)

BIL Lending by Credit Unions, *Caisse populaires* and Other Cooperative Credit Societies, by Province
April 1, 1995 -- March 31, 1996

Lender	Credit Unions, <i>Caisse populaires</i> and Other Cooperative Credit Societies that Individually Made \$2 330 000 or More in BILs						BILs Made by All Other Credit Unions, <i>Caisse populaires</i> and Other Cooperative Credit Societies	Total BIL Lending by All Credit Unions, <i>Caisse populaires</i> and Other Cooperative Credit Societies		
	<i>Caisse populaire Desjardins de Lebel-sur-Quevillon</i>		Capital City Savings and Credit Union		Estevan Credit Union Limited					
Province	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$
B.C.	0	0	0	0	0	0	97	5 499 998	97	5 499 998
Alberta	0	0	40	2 338 368	0	0	103	6 475 885	150	9 238 573
Saskatchewan	0	0	0	0	41	2 330 173	297	15 985 036	383	21 358 550
Manitoba	0	0	0	0	0	0	191	10 573 877	191	10 573 877
Western Canada	0	0	40	2 338 368	41	2 330 173	688	38 534 796	821	46 670 998
Ontario	0	0	0	0	0	0	187	13 190 518	216	16 504 084
N.W.T.	0	0	0	0	0	0	0	0	0	0
Yukon	0	0	0	0	0	0	0	0	0	0
Ontario & Territories	0	0	0	0	0	0	187	13 190 518	216	16 504 084
Quebec	26	1 596 616	0	0	0	0	5 842	309 930 605	6 016	321 318 084
New Brunswick	0	0	0	0	0	0	31	2 444 975	31	2 444 975
Nova Scotia	0	0	0	0	0	0	54	2 600 145	54	2 600 145
P.E.I.	0	0	0	0	0	0	3	202 704	3	202 704
Newfoundland	0	0	0	0	0	0	0	0	0	0
Atlantic Canada	6	0	9	0	0	0	88	5 247 824	88	5 247 824
TOTAL	26	1 596 616	40	2 338 368	41	2 330 173	6 803	366 903 741	7 141	389 740 990

Table 4c

BIL Lending by Trust, Loan and Insurance Corporations, by Province
April 1, 1995 -- March 31, 1996

Lender Province	Trust, Loan and Insurance Corporations that Individually Made \$2 330 000 or More in BILS						BILs Made by All Other Trust, Loan and Insurance Corporations	Total BIL Lending by All Trust, Loan and Insurance Corporations		
	Newcourt Credit Group Incorporated		GE Capital Canada Equipment Financing Inc.		GE Capital Quebec Equipment Financing Inc.					
	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$
B.C.	201	13 832 072	25	3 012 142	0	0	3	147 211	229	16 991 425
Alberta	244	18 175 052	2	300 910	0	0	0	0	246	18 475 962
Saskatchewan	27	1 763 270	2	176 851	0	0	0	0	29	1 940 121
Manitoba	37	3 339 286	2	244 089	0	0	0	0	39	3 583 375
Western Canada	509	37 109 680	31	3 733 992	0	0	3	147 211	543	40 990 883
Ontario	320	28 503 559	83	9 402 704	2	312 684	25	2 443 437	430	40 662 384
N.W.T.	1	45 288	0	0	0	0	0	0	1	45 288
Yukon	2	137 541	0	0	0	0	0	0	2	137 541
Ontario & Territories	323	28 086 388	83	9 402 704	2	312 684	25	2 443 437	433	40 845 213
Quebec	453	13 411 366	9	0	73	10 592 510	28	1 469 912	254	15 171 788
New Brunswick	19	1 808 513	17	1 743 560	0	0	1	93 142	37	3 645 215
Nova Scotia	23	2 304 095	24	2 620 439	0	0	0	0	47	4 924 534
P.E.I.	1	104 876	4	439 327	0	0	0	0	5	544 203
Newfoundland	10	919 091	0	0	0	0	0	0	10	919 091
Atlantic Canada	53	5 136 575	45	4 803 326	0	0	1	93 142	99	10 033 043
TOTAL	1 638	84 044 009	159	17 940 023	75	10 905 194	57	4 153 703	1 329	117 042 927

Table 5

SMALL BUSINESS LOANS ACT - PROGRAM FACT SHEET

Item	Prior to April 1, 1993	On April 1, 1993	On January 1, 1996
Maximum Eligible Business Size	\$2 million in estimated gross annual revenue	\$5 million in estimated gross annual revenue	\$5 million in estimated gross annual revenue
Maximum Loan Size	\$100 000 outstanding in aggregate.	\$250 000 outstanding in aggregate.	\$250 000 outstanding in aggregate.
Interest Rate - Floating - Fixed	Prime + 1% Not Permitted	On floating rate loans, prime + 1 3/4% and on fixed rate loans 1 3/4% over the residual mortgage rate for the applicable term.	For floating rate loans, prime + 3% and for fixed rate loans, 3% over the residential mortgage rate for the applicable term.
Up-Front Government Fee	1% one-time up front registration fee	2% one-time up front registration fee which may be added to amount of the loan.	2% one-time up front registration fee which may be added to amount of the loan provided the aggregate principal amount of the loan does not exceed \$250 000 and 1.25 % annual administration fee will be charged. The 1.25 % is to be paid by lender but can be passed on to borrower but only through the interest rate.
Refinancing	Not permitted	Up to 180 days prior to loan approval date	Up to 180 days prior to loan approval date.
Percentage of Financing Permitted	80% of Equipment 90% of Land and Buildings	100% of all eligible assets.	100% of eligible assets, reducing to 90% for loans made after December 31, 1995.
Amount of Government Guarantee	85% of any loss	90% of any loss sustained	90% of loss sustained, reducing to 85% for loans made after December 31, 1995.
Substitution and Release of Security	Lender may release any security acquired but shall through remaining terms maintain adequate security pursuant to normal lending practice for loan repayment	Substitution excluding unsecured personal guarantees.	As at January 31, 1995, substitution and release of secured assets under specified conditions excluding unsecured personal guarantees. Secured equipment may be released under prescribed conditions (no default, after 2 years outstanding balance reduced appropriately). Release land and premises if expropriated.
Maximum Loan Term	10 years	10 years	10 years
Businesses Excluded from the Program	Finance, insurance, real estate, professions, mining of metals, minerals, non-metallic materials, production of petroleum, natural gas, farming, charitable and religious organizations	The business of farming as well as charitable and religious organizations.	The business of farming as well as charitable and religious organizations.
Classes of Loans	Land Premises Movable Equipment Fixed Equipment	Land Premises Equipment Fee	Land Premises Equipment Fee