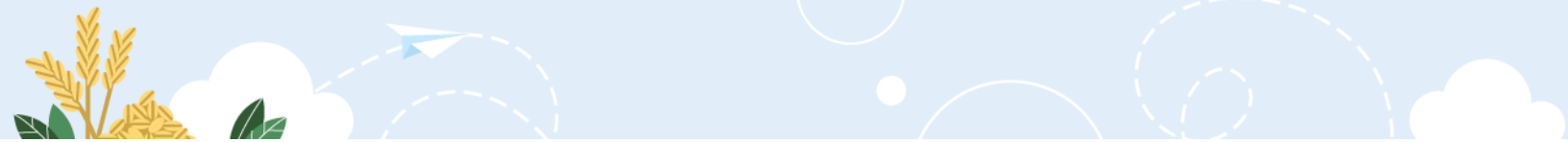




Canadian Agricultural Loans Act **Program – Lender guidelines**





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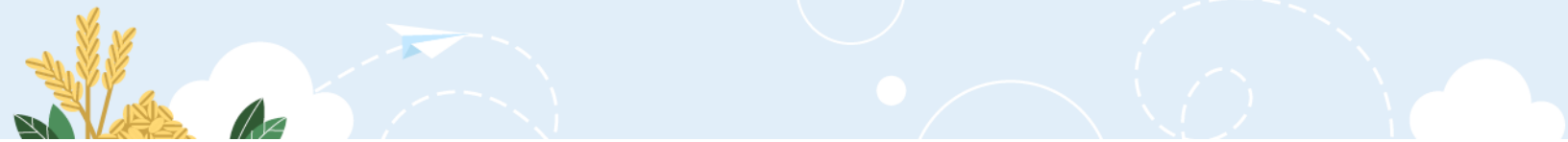
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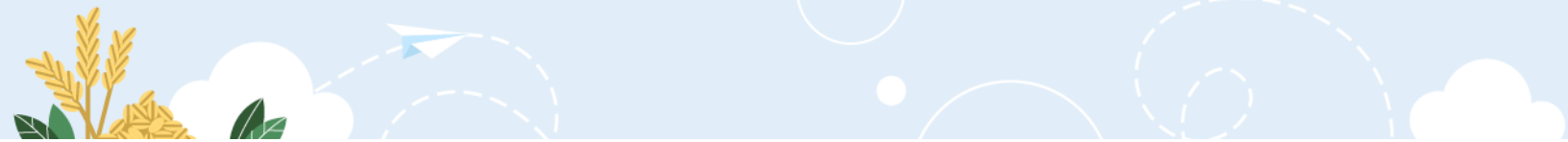


Lender guidelines

Guidelines for lenders administering CALA Program loans

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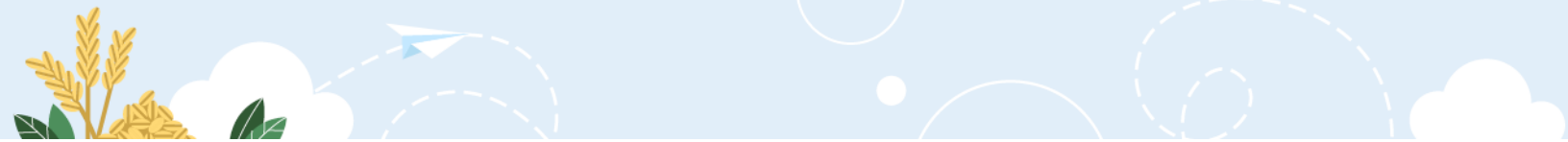
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Introduction

The *Canadian Agricultural Loans Act* (CALA) Program is a federal loan guarantee program designed to increase the availability of loans to farmers and agricultural co-operatives. Farmers can use these loans to establish, improve, and develop farms, while agricultural co-operatives may also access loans to process, distribute, or market the products of farming. Under the [Canadian Agricultural Loans Act](#) (the Act), the Minister of Agriculture and Agri-Food (the Minister) is liable to pay to the lender 95% of a loss sustained on a CALA Program loan provided that the requirements of the Act and the [Canadian Agricultural Loans Regulations](#) (the Regulations) have been met.

The Regulations outline the procedures and conditions for granting and administering CALA Program loans, as well as the submission and substantiation of claims for loss.

The Act and the Regulations are collectively referred to as the CALA Program. These guidelines assist lenders in interpreting the Act and the Regulations and in delivering this program. If there is a discrepancy between these guidelines and the Act and the Regulations, the legal interpretation of the Act and Regulations takes precedence. If there is a discrepancy between the Act and Regulations, the Act takes precedence.

Lenders are expected to take the same care in making CALA Program loans as they would in conducting ordinary business. The program is designed to allow lenders to incorporate its administration into their routine business while providing government-guaranteed loans to farmers and co-operative associations.

Agriculture and Agri-Food Canada (AAFC) collects information related to the CALA Program under the authority of the Act to manage the program efficiently. Any personal information provided to AAFC will be protected under the [Privacy Act](#) and stored in personal information bank AAFC PPU 165. The collection registration number is AGR/POL-465-02960. Other information may be accessible or protected as required under the [Access to Information Act](#).

If CALA Program officials are unsure if a situation is covered by the Act, Regulations, or guidelines, they should seek clarification and direction from relevant internal centres of expertise and authority. If, after completing these steps, additional clarification or information is required, please contact the CALA Program officials at AAFC. Program officials can provide advance rulings on the eligibility of a loan applicant or loan purpose upon receiving an email describing the circumstances. Contact program staff at 1-888-346-2511 or by email at: aafc.cala-lcpa.aac@agr.gc.ca.



1. Eligibility

This section references the Act:

- [section 2](#)
- [section 4\(3\)\(b\)](#)
- [section 4\(3\)\(h\)](#)
- [section 6\(2\)\(b\)](#)
- [section 6\(2\)\(h\)](#)

This section outlines the procedures for lenders to assess the eligibility of borrowers and loan purposes under the Act and Regulations. Lenders must take the same care in making these loans as they would in conducting their ordinary business.

1.1 General requirements

To qualify for a CALA Program loan, both the applicant and loan purpose must meet the eligibility criteria defined in the Act. Applicants must be farmers engaged or intending to engage in farming in Canada. Part-time farmers are also eligible.

Loans are limited to establishing, maintaining, or improving a farming enterprise, or for processing, distributing, or marketing farm products by a co-operative association. Assets financed with a CALA Program loan must be used within the farming enterprise.

Advance rulings: The CALA Program officials can make advance rulings when circumstances warrant. Upon receiving a written inquiry with the details of a loan application, the CALA Program officials will provide a written confirmation, or advance ruling, regarding the results of the proposed transaction. Advance rulings interpret specific provisions of the Act for definite transactions or transactions that the borrower plans to make soon. Advance rulings may involve complex transactions or “grey areas” of the Act. They apply only to the borrower the ruling is issued to and are not always favourable. However, the CALA Program officials may reconsider a request if new or additional information becomes available or if there was a misunderstanding of the previously submitted facts. Inquiries should be emailed to aaafc.cala-lcpa.aac@agr.gc.ca.



1.2 Definitions

“Farmer” is defined as an “individual, partnership, corporation or co-operative association that is engaged in farming in Canada.”

“Beginning farmer” is defined as a “farmer who intends to be or has been engaged in farming in Canada for fewer than 6 years.”

“Farming” is defined as “the production of field grown crops, cultivated, uncultivated and horticultural crops; the raising of livestock, poultry and fur-bearing animals; the production of eggs, milk, honey, maple syrup, tobacco, fiber and wood from wood lots.”

“Farm products marketing co-operative” is defined as a “co-operative association incorporated under the laws of Canada or a province for the purpose of processing, distributing or marketing on a co-operative basis the products of farming, with a majority of 50% plus 1 of members or shareholders that are farmers.”

1.3 Acceptable proof

For beginning farmers, acceptable proof may include articles of incorporation or an income tax return that shows no farming income or expenses incurred in Canada at least once in the last 6 years from the date of the loan request. Proof of intent to farm may include a business plan assessed and deemed viable by the lender.


To demonstrate that a farm products marketing co-operative is eligible under the CALA Program, 50% plus 1 of the members or shareholders must provide evidence showing that they are engaged in farming in Canada.

1.4 Nature of interest of the borrower in a farming operation

Owner

For a loan related to an item that forms part of, or is affixed to, real or immovable property, the borrower must own the property. For a loan related to an item that does not form part of, or is not affixed to, real or immovable property, the borrower must own the item outright or have purchased it under a conditional sales contract.

Tenant



A loan may be granted to an eligible farmer who leases land. If the loan is for items that are affixed to the leased property, the farmer must have a leasehold interest in the property that extends at least 2 years beyond the repayment term of the loan.

Note: Only tenant farmers with a separate and distinct land base or commercial lease from other tenant farmers for their farming operation are eligible as tenant farmers. Subdivisions of the same land base and farming business integrated franchises are not eligible.

1.5 Farm products marketing co-operatives

A farm products marketing co-operative association may qualify for loans of up to \$3 million for eligible purposes related to processing, marketing or distributing farm products. The requirements for obtaining such loans, including the need for ministerial approval, are outlined in [section 6](#) of the Act.

1.5.1 Documentation required for loans above stipulated limits to co-operative associations

The lender must submit the following documentation to the CALA Program officials when a co-operative association is seeking a loan greater than \$500,000 for real property or \$350,000 for any other purpose:

- a written request from the co-operative association for a CALA guarantee, detailing the intent of the project and a letter from the lender supporting the request (the lender's credit report must be included with the request)
- a draft lending agreement showing details of the total lending package, including repayment terms, other financial assistance being sought, and details regarding loan security
- a letter from the applicant's legal counsel stating that the co-operative association is incorporated under federal or provincial law for the purpose of processing, distributing, or marketing its members' commodities
- copies of all appraisals used to substantiate the value of the security or estimates of project costs must be supported by quotes
- copies of past marketing plans and financial statements for the last 3 years with actual and medium-term (next 3 years) business plans and financial forecasts
- reporting requirements in the lending agreement that require the co-operative association to submit annual operating and financial reports (or as requested by the CALA Program officials)
- a complete, up-to-date progress report from the lender, which includes annual financial statements and relevant correspondence related to the loan in the event of a claim for loss



1.5.2 Shareholders

Shareholder equity in the co-operative association must always be at least 20% of the co-operative association's total assets. Shareholder equity is calculated by assessing the current value of assets and subtracting all encumbrances and government assistance obtained to purchase those assets. Shareholder loans may count as equity if they are subordinate to the co-operative association's other creditors. Include these details in the co-operative association's financial statement.

Each shareholder must sign a contract with the co-operative association to sell their crop to the co-operative association. The co-operative association must provide a sample copy of an agreement and outline its pricing policies, including how members are paid and issued dividends.

Shareholders or members of the co-operative association can apply for a CALA Program loan on separate farming operations if they qualify. They may be eligible for guaranteed loans of up to \$500,000 for each distinct operation. The \$500,000 maximum per individual farm enterprise may include a combination of individual or joint (partnership) loans.

1.5.3 Project assessment

The application review process will not commence until all required documentation has been received by the CALA Program officials. Once received, a 6-week time frame is anticipated to review and process the application. Failure to provide information on any area outlined in the application process may delay the evaluation of the application.

The project will be assessed for its viability, regional impact, and market accessibility. The CALA Program officials will confirm willingness to offer a guarantee, subject to the following conditions:

- The co-operative association must demonstrate that it has the managerial, technical, financial, and marketing expertise required for effective management.
- The co-operative association must prove that it is covered by adequate business interruption insurance and that the asset being purchased under the CALA Program is also insured.
- The CALA Program officials must receive the loan registration request and fee submission (Schedule 1) in accordance with [section 16](#) and [section 17](#) of the Regulations.
- The CALA Program officials must receive annual audited financial statements of the co-operative and a lender report detailing the progress on the project annually.



2. Maximum loan amount

This section references the Act:

- [section 4\(1\)\(i\)](#)
- [section 4\(3\)\(c\)](#)
- [section 5](#)
- [section 6\(2\)\(c\)](#)
- [section 6\(3\)](#)
- [section 9](#)

The maximum amount depends on the legal status of the applicant. An applicant may have one or more loans at any one time, but the total of loans issued under the CALA Program cannot exceed the maximum limit of \$500,000.

Loans can be issued for up to \$500,000 for real property (refer to section 5 of these guidelines for real property purposes) and \$350,000 for any other purpose, including consolidation or refinancing.

2.1 Individual

The amount of the loan being made, plus any outstanding balance of principal owed by the borrower on loans previously obtained under the Act, cannot exceed \$500,000.

2.2 Partnership

The amount of the loan being made, plus any outstanding balance of principal owed by the borrower on loans previously obtained under the Act, cannot exceed \$500,000.

For loans made to a partnership, each partner is attributed a pro-rated share of the loan amount. For example, if a loan for \$300,000 is made to a partnership consisting of 3 individuals, each individual is attributed a share of \$100,000. Care must be taken to ensure that when partnership loans are issued, each individual does not exceed their individual maximum amount of \$500,000 when their pro-rated share from the partnership loan is taken into account with their other CALA Program loans.

2.3 Corporation

A corporation is a separate legal entity that qualifies for individual financing under the CALA Program. The amount of the loan being made, plus any outstanding balance of principal owed by the borrower on loans previously obtained under the Act, cannot exceed \$500,000.



2.4 Co-operative association

The amount of the loan being made, plus any outstanding balance of principal owed by the borrower on loans previously obtained under the Act, cannot exceed \$3 million.

Applications for loans from co-operative associations over \$500,000 must be approved by the Minister prior to the lender issuing the funds. Loans under \$500,000 do not require prior approval of the Minister. Refer to section 1.5.1 of these guidelines for application instructions.

3. Eligible amount of the loan

This section references [section 9](#) of the Act and [section 4](#), [section 8](#), and [section 16](#) of the Regulations.

The eligible amount of the loan depends on the type of applicant.

Note: All borrowers may use equity in farmland or chattel in lieu of a cash down payment. Lenders must follow their applicable lending value and credit policy regarding the acceptance of equity in farmland or chattel in lieu of a cash down payment.

3.1 Existing farmers

Loans to existing farmers must not exceed the lesser of 80% of the appraised value of the property for which the loan was made or the purchase price as evidenced by, for example, an invoice, a deed of sale, or a purchase contract.

3.2 Beginning farmers

Loans to beginning farmers must not exceed the lesser of 90% of the appraised value of the property for which the loan was made or the purchase price as evidenced by, for example, an invoice, a deed of sale, or a purchase contract.

The registration fees and lender's charges do not need to be considered in determining the limit regarding the 80% or 90% rule. Refer to section 8.1 and section 8.2 of these guidelines for more information on the registration fee and charges.

3.3 60-day to 365-day rule

When assessing the total eligible amount of the project, a lender may include:

- purchases that were initiated 60 days before the first disbursement but completed within the permitted period
 - a purchase is deemed complete when the goods and/or services have been delivered
 - proof of purchase along with proof of full payment satisfies this requirement
- loan disbursements for purchases completed up to 365 days after the first disbursement are eligible, provided that the total amount disbursed does not exceed the registered loan amount
- purchases completed more than 60 days before the first disbursement are ineligible


The table below outlines the various scenarios for the 60-day to 365-day rule:

Transaction prior to 60 days from the date of first disbursement	Transaction within 365 days from date of first disbursement	Eligible amount
Invoice and expenditure \$100,000		Nil
	Invoice and expenditure \$100,000	\$100,000
Invoice \$100,000	Expenditure \$100,000	\$100,000
Expenditure \$100,000	Invoice \$100,000	Nil
Invoice \$100,000 Expenditure \$20,000	Expenditure \$80,000	100,000
Expenditure \$20,000	Invoice \$100,000 Expenditure \$80,000	\$80,000

3.4 Appraisals

The lender must request an appraisal to be conducted when the borrower is purchasing the assets from a person not at arm's length, as defined in the [Income Tax Act](#). A lender may conduct its own appraisal where it would have done so in the normal course of its business.

In cases where the lender would normally obtain an independent appraisal from a person qualified in the field relevant to the property being taken as security, they can do so. The amount of the loan must be based on the lesser of the current market value, as



reflected in the appraisal, or the cost of purchasing the asset(s), subject to the 80% to 90% rule described in the [Income Tax Act](#).

Both types of appraisals must be documented and retained on file in the event of a claim for loss.

3.5 Farm real estate

Where the loan is for the purchase of farm real estate, all buildings, including the home, should be included in the appraised value of the property. The loan guarantee is always based on the corresponding percentage of the purchase price or the appraised value, whichever is the lesser of the two. Refer to section 5.5 of these guidelines for information on family dwellings.

3.6 Trade-in

Trade-in values are acceptable and may be included as all or part of the borrower's equity.

3.7 Non-refundable taxes


The cost of the items being financed is the net cost to the borrower. Where, at the time of making a loan, the lender is aware that a grant, discount, reimbursement, or any credit directly related to the item purchased is to be received by the borrower at purchase or afterward, it should be deducted from the original cost of the item when establishing the amount of the loan. It is the lender's responsibility to inform itself of the non-refundable nature of taxes (GST, PST) or customs duties that apply to assets financed.

3.8 Proof of Purchase and Proof of Payment

Eligible expenditures must be supported by proof of purchase (for example, invoices or purchase agreements) in the name of the borrower. The invoices and purchase agreements must provide details of the items being purchased (for example, make, model, and/or serial numbers) or the work being done.

In the event a claim for loss is submitted, proof of purchase and proof of payment documentation must be included as follows:

Cancelled cheque: A cleared cheque drawn on the borrower's account or line of credit, made payable to the supplier and accompanied by the invoice.



Debit/credit card, line of credit: A receipt of payment by debit or credit card is also acceptable. No proof is required to demonstrate that the borrower subsequently paid off the credit card or the line of credit. Alternatively, a credit card or bank statement is acceptable if the statement shows the same amount and name of the vendor as the invoice.

Cash payment: A supplier's invoice stamped "Paid", indicating "In cash", or a printed invoice indicating the payment has been made in cash, can be accepted for an amount less than \$500. The stamp must bear the name of the supplier.

Sales contract: Formal executed sales contracts in respect of acquisitions of real property or going concerns, for example, generally refer to the purchase price paid and contain a section referring to the payment and indicating "receipt whereof is hereby acknowledged." Such an attestation by a lawyer or notary is sufficient proof of payment.

Attestation: A receipt, an attestation or a statement by the supplier to the effect that the invoice has been paid is acceptable. Where the loan disbursement is effected by a lawyer or notary, the CALA Program officials accept a photocopy of the Deed of Sale or the lawyer or notary's Trust Statement confirming that the vendor has been paid or confirmation from the vendor's lawyer that the funds for the purchase of the assets were received.

Wire transfer: Evidence that a wire transfer was sent on behalf of the borrower to the supplier is an acceptable proof of payment if the documentation clearly demonstrates that the transaction was finalized.

4. Maximum interest rate

This section references [section 4\(3\)\(e\)\(iii\)](#) of the Act and [section 14](#) of the Regulations.

The interest rate can be either floating or fixed. At any time during the repayment period of a loan, the lender and the borrower may agree to change from a floating interest rate to a fixed interest rate, and vice versa. Although the Act provides a maximum interest rate, lenders may charge interest rates lower than the maximum rates indicated below.

4.1 Maximum floating rate

The maximum floating rate is equal to the calculated prime rate of the lender plus a maximum of 1%, as that rate is fixed daily during the term of the loan.



4.2 Maximum fixed rate

The maximum fixed rate is equal to the published residential mortgage loan rate of the lender for a comparable term plus a maximum of 1%, as that rate is fixed on the date the funds are disbursed or on an earlier date agreed to in writing by the lender and the borrower.

If a loan with a fixed interest rate is to be extended before the expiry of its term, the interest rate on the loan may be blended, merged or combined with the interest rate fixed on the day of extension for the balance of the proposed term in accordance with the lender's current practice for that type of loan.

4.3 Prepayment

Full or partial prepayment of a loan must be made in accordance with the [Bank Act](#).

5. Eligible loan purposes

This section references [section 4](#) and [section 6](#) of the Act and [section 2](#) and [section 5\(iii\)](#) of the Regulations.

Only loans issued to borrowers for the purpose of establishing, improving and developing a farm enterprise or co-operative associations for the processing, distributing or marketing of the products of farming qualify under the CALA Program. Assets of a farm enterprise or co-operative association financed with a CALA Program loan must be used in that farming enterprise or co-operative association that is carried on in Canada.

Note: A loan can be financed for a small business on a farm if it is an improvement to the existing farm enterprise. For example, if a dairy farmer sells cheese and ice cream from the farm property, the equipment required to produce the products would qualify. If the farmer wants to sell from an area off the farm, the project would not be eligible under the CALA Program, but rather would be considered a small business project and may be eligible under the [Canada Small Business Financing Act](#).

5.1 Detailed list of items that can be financed using the CALA Program

The following list of eligible loan purposes is not exhaustive; it illustrates some items found in the Act or Regulations (others have been determined to be eligible through policy decisions rendered by AAFC).

Real property purposes:

- purchase of land
- construction, repair, alteration of, or additions to, any building or structure on a farm
- purchase of, movement to, or installation of complete or partially complete structures including any necessary completion of the installed structures

Other purposes:

- purchase, installation, alteration, major overhaul, or major repair to or of:
 - tools, implements, apparatus and machines of any kind not usually affixed to real or immovable property
 - machinery and apparatus for the generation or distribution of electricity, whether they are affixed or not affixed to real or immovable property
- purchase of livestock including:
 - horses and other equines
 - cattle, sheep, goats and other ruminants
 - swine, poultry, bees and fur bearing animals
 - any other prescribed animal such as game birds, ostrich, emu and rhea
- erection or construction of fencing or works for drainage
- clearing, breaking, irrigating and reclaiming of land
- planting of trees and shelter belts to prevent soil corrosion and erosion
- repair or overhaul of fencing where the cost is \$2,000 or more
- purchase and the planting of fruit trees, Christmas trees, ginseng, and maple trees for maple syrup production, and the purchase and planting of fruit trees, Christmas trees, and ginseng, where the cost is \$2,000 or more
- construction of a road or driveway on a farm
- transfer tax, survey, appraisal and legal costs relating to the purchase of land
- consolidation or refinancing of loans under the CALA Program, including:
 - loans originally granted by the lending institution where the loans were first issued
 - loans issued by a third party, provided they were initially made for purposes eligible under the CALA Program
- purchase of shares for inter-generational farm transfers (refer to section 5.8 of these guidelines)
- purchase of a crop storage condominium

- the cost of obtaining security on existing assets, including premiums for life and/or disability insurance
- the costs of a fee or charge (refer to [section 17](#) of the Regulations)
- purchase of a refrigerated truck or a mobile abattoir
- the purchase of equipment to process farm products into energy (for example, a biodigester)
- cannabis production
- vertical farming
- leasehold improvements
- land improvements

Note: Regarding eligible forestry purposes under the CALA Program, farming includes the production of wood from woodlots. Woodlot operators are eligible if they plant the trees they are harvesting.

5.2 Examples of some of the ineligible expenditures


The following list of purposes are deemed **ineligible** under the CALA Program:

- refundable taxes (GST, PST, or custom duties)
- recreational vehicles and/or vehicles for personal use
- operating loans
- stock in trade
- construction of, or improvements to, a family dwelling for non-commercial purposes
- permits and licenses
- goodwill (intangible assets of a going concern) and intangibles such as research and development costs or prepaid expenses
- labour or services provided by the borrower or proprietor
- working capital
- commercial lease agreements
- quota purchases

Note: The preceding lists are not exhaustive. When in doubt, loan officers should contact their head office, regional office, or a CALA Program official for advice.

5.3 Equipment loans

Equipment loans made to the proprietor of a farming operation for the purpose of financing the purchase, installation, renovation, improvement, or modernization of equipment necessary for the operation of the farm, excluding the labour cost attributed to the proprietor.



Note: Installation expenses are those that will be added to the cost of the asset(s) and capitalized.

5.4 Building loans

Building loans made to the proprietor of a farming operation who is or is to become the owner of the building through construction or purchase, is or is to become the owner or the tenant of the building **and** the loan is made for the purpose of financing the renovation, improvement, or modernization necessary to the farming operation, **excluding the labour cost attributed to the proprietor.**

Building loans involve:

- the purchase, movement to, and installation on a farm of complete or partially complete structures, and, if necessary, the completion of the initial structures
- the repair or overhaul of fencing if the cost exceeds \$2,000
- the construction of a road or driveway on a farm

5.5 Land loans


Land loans made to a borrower who is, or intends to become, a farmer and who is to become the owner of the land, including any buildings or structures on it necessary for the farming operation.

Exclusion of home improvements

[Section 4\(2\)](#) of the Act makes it clear that loan monies cannot be used for the purpose of financing improvements to a private dwelling. However, if a private dwelling or other structure is situated on the land being purchased and otherwise meets the requirements for a loan under the Act, the dwelling or other structure in law is considered part of that land or property. The appraised value of the property in respect of which the loan is made would include the value of the private dwelling or other structure located on that land.

This would also apply to a situation where a lender would use property with a structure(s) on it for security for a loan under the Act; the value of the structure(s) would be included to determine if the loan was properly secured.

The lender should obtain the proper waivers prior to granting the loan. A declaration should be signed by the applicant stating that, at the time of financing, this property was not their home-quarter, and they will not use the home-quarter clause in the future to declare this property as exempt from seizure and/or foreclosure.



Note: If the above conditions can be met, the financing of this land purchase can be made for the corresponding percentage of the value of the property or the purchase price, whichever is the lesser of the two.

5.6 Livestock loans

The purchase of livestock by a farming operation including, cattle, sheep, goats, horses and other equines, other ruminants, swine, poultry, bees, fur-bearing animals, and other prescribed animals such as game birds, ostrich, emu and rhea.

Note: As livestock is considered movable property, CALA Program livestock loans can be issued to borrowers who do not own farmland or have a farmland lease.

5.7 Consolidation/refinancing loans

A loan originally made to an eligible applicant for an eligible purpose under the Act or Regulations can be consolidated or refinanced.

The consolidated or refinanced amount is the total of the outstanding principal balances of the loans to be consolidated or refinanced, up to maximum amount of \$350,000.

Terms of repayment should ensure that sufficient security will be available over the term of the loan to maintain the corresponding percentage security requirement.

Consolidation of a CALA Program loan must remain within the prescribed amortization periods.

All of the original loan documents for the loan(s) to be consolidated or refinanced to determine loan and farmer eligibility at the time of the original loan issuance, and the original loan documents demonstrating that only the principal amount(s) outstanding of the original loan(s) are being consolidated or refinanced, must be retained on file and submitted with a claim for loss. Where loans are being refinanced by a different lending institution, the lending institution refinancing the loan must obtain the original loan documents from the borrower or from the lending institution which granted the original loan.

Note: As an exception to sections 3.1 and 3.2 above, loans for consolidation or refinancing may be issued at 100% of the outstanding principal balance.



5.8 Intergenerational loans

For information on intergenerational loans made to a borrower who is, or intends to become, a farmer and who is to become the owner of the shares of a family farming operation, refer to [section 4\(1\)\(g.1 to g.3\)](#) of the Act.

The CALA Program supports intergenerational farm transfers. Not all farm businesses operate as sole proprietorships, which would involve a straight asset sale to the next generation. In many cases, a parent may want to transfer their shares in a corporation that operates the farming business to their child. The transfer may also be by sale of partnership shares or membership in a co-operative. Therefore, an eligible loan purpose must include the purchase, by a child, of shares in the parent's corporation, partnership, or co-operative through which the farm business is conducted.

6. Repayment terms

This section references [section 4\(3\)\(d\)](#) and [section 6\(2\)\(d\)](#) of the Act and [sections 7 to 11](#) of the Regulations.


For a CALA Program loan, on or before the day of the first disbursement of the loan funds, the borrower and the lender must sign a document outlining the following:

- principal amount of the loan
- interest rate
- repayment terms
- frequency of principal and interest payments
- date of the first principal and interest payment

These documents can be in the form of a promissory note, loan agreement, bank contract, or any other document that the lender uses to secure the repayment of a term loan or line of credit.

6.1 Repayment period

Land loans: The maximum term (length of government coverage) for a CALA Program term loan for land is 15 years. The repayment of the term loan for land can be amortized over a period longer than 15 years (for example, a mortgage on a real property with a 5-year interest term and a 25-year amortization period). However, any remaining balance of the loan at the end of the 15-year period, from the date of the first scheduled



payment, must be converted to a conventional loan or registered as a new CALA consolidation/refinancing loan.

Other loans: The maximum term for all other CALA Program loan classes is 10 years. Like land loans, the repayment term may be amortized beyond the 10-year maximum, provided that the balance of the loan at the end of the 10-year period, from the date of the first scheduled payment, must be converted to a conventional loan or registered as a new CALA consolidation/refinancing loan.

To calculate the applicable maximum repayment term for a loan, use the first payment payable under the loan document, whether it is a payment of principal, interest, or both.

Co-operative association loans: For loans used by co-operative associations to process, distribute, or market farm products:

- the maximum term is 20 years for purchase of land or the construction of any building or structure
- the maximum term is 10 years for all other purposes

6.2 Repayment of loan principal

Repayment of the loan principal must be scheduled at least annually from the first disbursement of the loan. The first instalment of principal must be scheduled no later than 12 months from the date of the first disbursement.

Notes:

- Any prepayment on the loan or payment due to sale of security is not considered a regular scheduled payment.
- A loan is considered “made” on the date of the first disbursement of loan funds. Installments for repayment of principal do not have to be equal. Equal blended payments of principal and interest are permitted.
- A bank contract or a loan agreement that meets the legal requirements of a “promissory note,” as set out in the *Bills of Exchange Act*, is considered a “promissory note” regardless of the name given to the document.

6.3 Full or partial prepayment

A borrower may prepay a loan in full or in part prior to the expiry of its term in accordance with the [Bank Act](#). However, in the case of a fixed-rate loan, the lender may charge a compensation fee representing any loss of interest.



7. Loan Security

This section references [section 15](#) of the Regulations.

At the time the loan is made, the lender and the applicant must complete and sign the appropriate documents as required by the lender. These documents may include a promissory note, loan agreement, bank contract, and any other document that the lender registers to secure the repayment of the loan.

Note: Whether a loan is taken by a sole proprietor or by a partnership, everyone involved is equally liable for the full amount of the loan.

7.1 Security

At the time the loan is issued, the lender must take a security interest in accordance with normal lending practices, selecting the most appropriate security option from the list below.

The lender should maintain adequate security (sufficient for the amount of the loan outstanding and realizable) throughout the term of the loan.

Security is to be registered in the appropriate registry system so that the ranking is not compromised and realization procedures, if required, can be enforced against the secured assets.

Under the [Bank Act](#), security options include:

- registering security in accordance with the applicable personal or moveable property as per the legislation in the province
- commercial pledge
- mortgage or hypothec on real or immovable property
- assignment of any rights and interests of the borrower under an agreement for sale

7.1.1 First ranking security

Where the loan is the sole source of financing for the asset(s) being acquired, apart from the borrower's own funds, and where no prior charges are held by the lender, another financial institution, or any other secured creditor on the land, premises, or equipment, the lender's security for the loan must be a first fixed charge.



7.1.2 Equal ranking security

Where the loan is one of two or more sources of financing for the asset(s) being acquired, apart from the borrower's own funds, the lender's security for the loan must be a fixed charge of equal rank with the other sources of financing provided for the asset(s).

7.1.3 Highest ranking security

Every effort must be taken by the lender to obtain a first-ranked priority or highest ranked priority on equal footing. However, if at the time the loan is made, prior charges exist in favor of the lender, another financial institution, or any other secured creditor, the lender's security must be a fixed charge of the highest available rank. This is permitted only if sufficient equity exists in the security being taken to validate the amount of the loan. This situation may arise when a loan is made for improvements to an asset or construction of building or structures on a farm property.

7.1.4 Lower ranking security

If a lender cannot obtain a first rank priority or equal ranking priority, the lender must be able to justify the reasons for accepting a lower ranking security in the event a claim for loss related to the loan is submitted.

7.1.5 After-acquired property clause

A lender should ensure that any security it intends to take for a CALA loan is not affected by an after-acquired property clause stemming from a prior charge against the security.

7.1.6 Additional security

Wherever appropriate, the lender may wish to further secure a CALA Program loan. This may include taking additional security on other assets of the farm or obtaining a guarantee or suretyship, either personal or corporate.

Note: A lender may take secured or unsecured corporate guarantees for the full amount of the CALA Program loan.



8. Loan registration fee, lender administration charge and loan registration

This section references [section 8](#), [section 16](#) and [section 17](#) of the Regulations.

This section outlines the procedures for lenders to obtain the guarantee under the CALA Program, the authorized changes that can be made to the loan, and the procedures lenders must follow to maintain the guarantee.

The lender must ensure that the loan qualifies under the CALA Program prior to submitting the loan registration and fee submission (Schedule 1). **The acknowledgment of the Schedule 1 by the CALA Program officials is not a confirmation that the loan is eligible for the guarantee.** When lenders are unsure of the eligibility of a potential borrower, the CALA Program officials must be contacted to seek clarification and, if necessary, obtain an advance ruling (refer to section 1 of these guidelines for eligibility and advance rulings).

8.1 Loan registration

- The loan registration fee is 0.85% of the loan principal (which includes all purpose totals)
- A CALA Program loan must be registered within 365 days from the date of the first disbursement
- The loan registration and fee submission (Schedule 1) can be completed through the online CALA Program portal
- The government guarantee is granted for the CALA Program loan
- Payment can be made via electronic funds transfer or through the Bill Payment System
- Once the loan has been registered by the CALA Program officials, a loan registration and fee receipt acknowledgment will be sent to the lender
- A CALA Program loan registration can include multiple purposes without requiring a separate form for each purpose
- All fields must be completed for the loan to be registered

8.2 Lender administration charge

A lender may charge a borrower an administration fee under the following guidelines:

- For loans under \$250,000, the fee can be up to 0.25% of the loan principal or \$250 (whichever is lower).
- For loans of \$250,000 or more, the fee can be up to 0.1% of the loan principal.



For example:

- $\$50,000 \times 0.25\% = \125 fee
- $\$100,000 \times 0.25\% = \250 fee
- $\$249,999 \times 0.25\% = \625 (but because the loan is less than \$250,000, the maximum fee is \$250)

- $\$250,000 \times 0.1\% = \250 fee
- $\$300,000 \times 0.1\% = \300 fee
- $\$450,000 \times 0.1\% = \450 fee

Note: If a fee is charged outside of the limitations indicated above, any excess amount must be refunded to the borrower.

8.3 Loan registration application

The loan registration and related fee must be submitted to the CALA Program officials within 365 days of the first disbursement of the loan.

Loan registration submitted to the CALA Program officials must be completed according to the provided instructions. Loan registration fees must be remitted electronically via the Bill Payment System or Direct Deposit. Please contact the CALA Program officials for instructions on how to submit registration fees electronically.

An incomplete loan registration and fee submission may result in the return and/or delay in the registration of a loan. A request will be sent to the lender to complete the missing information. The loan will be registered when all missing information is received by the CALA Program officials.

The CALA Program defines the loan amount as the total amount ultimately disbursed by the lender to the borrower for which a registration fee was received by the Program.

8.4 Borrower name for loan registration

In various scenarios, the borrower is identified as:

- the individual in a sole proprietorship
- the partners in a partnership
- the incorporated body in an incorporated company
- the co-operative association in a co-operative association

Loans will be registered in the name of the individual, partners, incorporated company, or co-operative association.



8.5 Late registration

If a lender is unable to register a loan within the prescribed time, the CALA Program officials may extend the registration period. In such cases, the lender must provide a written explanation to the CALA Program officials explaining the late registration.

8.6 Adding loan registration fee

The CALA Program loan registration fee, as per [section 17](#) of the Regulations, may be added to the loan provided the total amount of the loan does not exceed the legislated or prescribed amount. When completing the loan registration and fee submission, it is not mandatory to add the registration fee and the lender's charges to the loan amount. The appraised value or cost of the property being financed must be considered in determining the total limit of the CALA Program guarantee. Refer to section 3.1 and section 3.2 of these guidelines for more information on the corresponding percentages.

8.7 Registration fee reimbursement


Within 1 year of the date of the first disbursement of a loan, the lender may apply for a partial or total refund of the fee paid under the following circumstances:

Partial refund: Where the lender advanced less than 3/4 of the registered loan amount, the CALA Program officials will, upon written request by the lender, refund the fee applicable to the unadvanced portion of the loan. Requests must be made within one year of the first disbursement.

Total refund: Where the lender determines that the loan is not eligible under the CALA Program, the CALA Program officials will, upon written request by the lender, refund the lender for the full amount of the fee paid.

9. Change of borrower's name

When a borrower changes the name under which it operates but retains the same legal status (for example, sole proprietorship, partnership, corporation, or co-operative association), the lender must obtain a formal notice from the borrower and a copy of the pertinent legal documents such as registration, articles of amendment, letters patent, marital license, etc.



In the event of a claim for loss, these documents will be required. It is not necessary for the lender to inform the CALA Program officials of the borrower's name change.

10. Sale of the borrower's farm or asset/change of borrower status or structure

If the assets of a farm enterprise are sold, the loan should be repaid in full, as there will be a change of ownership of the assets or the farming enterprise.

For corporate borrowers whose shareholders sell their shares to other parties, the loan is not affected as there is no change to the borrower. The lender does not need to inform the CALA Program officials of such transactions at the time they occur but will be required to provide details in the event of a claim for loss.

In the case where the sole proprietor or partnership changes, or decides to incorporate, all relevant agreements and security registrations should be updated to reflect the change in legal status and ownership. The lender must ensure that its security position is not weakened, and the appropriate entities remain fully liable for the debt.

11. Change in security


11.1 Substitution

If there is a change in the security that was originally registered when the loan was approved, the lender must receive approval from the CALA Program officials in the form of a Schedule 2 (request for revision of loan terms). Any substitution must be properly recorded and documented, with details kept in the borrower's file. Refer to section 12 of these guidelines for more information on revision of loan terms.

Lenders must evaluate the worth and realization potential of the replacing asset or guarantee using the same care and criteria used for non-CALA Program loans. The substitution of any asset or guarantee must not reduce the lenders' ability to recover the full amount of the security, which may result in an increased loss on the loan.

The CALA Program officials may approve the following substitutions of loan security:

- any security registered for the loan with any other security referred to in section 7.1 of these guidelines

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- any assets held as security for the loan by any other business assets, provided the value of the substituted assets is sufficient for the outstanding loan amount
 - a corporate or personal guarantee by any other corporate or personal guarantee (refer to section 7.1.6 of these guidelines) or by any other security referred to in section 7.1 of these guidelines

Note: The CALA Program officials may approve any security taken in accordance with the Act for any other security referred to in these subsections and may substitute for other assets if the value of the substituted assets supports the value of the outstanding loan.

The CALA Program officials will not allow security supported with assets to be substituted by security which has no supporting assets. For instance, a General Security Agreement or chattel mortgage on equipment or a mortgage on a property must not be substituted by a personal guarantee or an unsecured corporate guarantee.

11.2 Release of security

A lender may recommend release of collateral equipment pledged for an equipment loan if:

- other security is adequate to cover the outstanding balance on the loan
- the loan is not in default
- the principal balance of the loan has been reduced by an amount equal to or greater than the value of the equipment to be released

A lender may recommend release of an unsecured personal guarantee if:

- other security is adequate to cover the outstanding balance on the loan
- the loan is not in default

A lender may recommend release of real property held as security for a CALA Program loan if:

- the proceeds of the expropriation are applied to repay the loan
- sufficient real property as security will be maintained to cover the outstanding balance on a loan
- the loan is not in default
- the principal balance of the loan has been reduced by an amount equal to or greater than the value of the real property being released

Approval from CALA Program officials is required for these releases.

Once a loan is repaid in full, the lender may release the security without the approval of the CALA Program officials.



11.3 Sale of assets

When the borrower disposes of any asset that is part of the security taken by the lender, the proceeds from such disposal must be applied to the loan. This applies to pledged assets that are sold, traded in, sold for salvage or destroyed (if the destruction is covered by insurance, unless the insurance proceeds are used to immediately replace the destroyed asset, and the new asset is included in the loan security). An explanation of such loan reduction should be kept on file.

The lender does not need to inform the CALA Program officials at the time but must provide a full explanation if a claim for loss is submitted. The application of proceeds from the disposal does not replace a regularly scheduled payment. If a lender learns of an asset disposal after the fact and the disposal proceeds have not been applied to the loan, the lender must take the necessary actions to protect its interest and that of the government, including requiring additional security be pledged in support of the loan.

12. Amending the repayment terms/revision of loan terms

This section references [section 11](#) of the Act and [section 13](#) of the Regulations.

The Minister is not liable under the Act for any loss incurred by a lender due to an amendment or agreement made between the lender and the borrower after the loan is issued if it increases the risk that the loan will not be repaid, unless the Minister approves the arrangement or agreement before it is finalized.


12.1 Amendments not requiring the administration's approval:

The lender may use blanket authority process to revise the terms of a loan without pre-approval from the CALA Program officials, provided that the risk of repayment is not increased, and the loan is not in default.

The following scenarios have been determined to **not** increase repayment risk:

- extending the term of repayment within the maximum terms specified in the Act
- changing the amount of the periodic instalments
- changing the period between instalments
- switching between fixed and variable interest rates

In such cases, any changes must be properly documented and details kept on the borrower's file. The CALA Program officials do not need to be informed at the time of



the change, but the lender must provide a full explanation if a claim for loss is submitted.

When revising repayment terms, the lender must ensure that:

- the borrower can meet their obligation under the revised terms
- adequate security has been taken to secure the loan until full repayment is made
- any interest payment arrears have been paid in full

Additionally, any revisions to repayment terms must:

- include at least 1 annual principal installment
- not extend the repayment period beyond 10 years, except for land loans which have a 15-year repayment period

Note: A common mistake occurs when the first revised payment is scheduled within 1 year of the revision date, but the revised payment date is beyond the original annual repayment date.

If a borrower misses a repayment date, the borrower is in default and the lender should follow section 17 of these guidelines.

12.2 Amendments requiring approval from CALA Program officials

[Section 13](#) of the Regulations states: “No security shall be released or substituted by a lender before a loan is paid in full unless authority to do so is obtained in writing from the Minister.” Refer to section 15 of these guidelines for more information on change in security.

A revision that may increase the Minister’s risk or is a change in security falls outside of the blanket authority criteria. In these cases, a Schedule 2 (request for revision of loan terms) must be completed by the borrower and the lender. The lender then forwards the Schedule 2 to the CALA Program officials, along with its opinion that the borrower can meet their obligation under the revised terms, adequate security has been taken to secure the loan, and any interest payment arrears have been paid in full. Once the request has been reviewed and approved, the approved Schedule 2 will be sent to the lender. This form should be retained on the borrower’s file in the event of a claim for loss.

Note: When a borrower is in default, the lender must refer to section 17 of these guidelines to administer the loan.



12.3 Renewal of terms

Where the repayment term is less than prescribed by the Act, and the loan is in good standing, the lender and the borrower may agree to renew the term of the loan for an additional term (or terms) if the loan is repaid in full within the maximum terms prescribed by the Act. The interest rate at the date of renewal must be calculated in accordance with section 4 of these guidelines.

13. Loans in default

The lender has a maximum of 18 months from the date of default to submit a claim for loss, unless an extension to this 18-month period is received by the CALA Program officials before it expires. The CALA Program defines the default date as the day after a payment under a loan was scheduled to have been made but was not made. The default date is determined based on the terms and conditions indicated in the promissory note.

If a loan is in arrears and it appears the situation cannot be rectified, a report on defaulted loan (Schedule 3) must be submitted as follows:


- for loans other than co-operative loans: within 6 months from the default date
- for farm products marketing co-operative loans: within 15 days of the date the loan was considered in default

In both situations, a loan history or account statement (showing the loan disbursement and payments made) and a copy of the promissory note should accompany the default report. Original documents should be kept in the lender's file in the event of a claim for loss.

In the event the lender and borrower fail to agree on a suitable repayment plan, the balance of the loan should be demanded by registered mail and action commenced to seize the security held in support of the loan in accordance with federal or provincial laws and the [Farm Debt Mediation Act](#) (FDMA). The lender should make every effort to obtain the current market value from the sale of the security.

Funds from the sale of the security should be applied in the following order:

1. costs of repossession and subsequent sale, chargeable to the borrower
2. accrued interest
3. principal outstanding



The borrower should be made aware that the sale of the security does not release him from further payment of any deficiency balance. If a satisfactory arrangement to pay the deficiency is not arranged, judgment should be obtained for protection of the Minister's subrogation rights.

Note: The lender should advise CALA Program officials if the loan is brought current.

14. Calling the loan

If the lender decides that the default situation cannot be remedied, it must demand repayment of the entire amount of the outstanding balance of the loan (principal and interest). The lender must call the loan in the same way that it calls its other loans, subject to federal or provincial laws and the FDMA.

15. Realizing on assets, collecting, and compromise settlements

Once the loan has been "called," the lender collects from the borrower by realizing on the security and guarantees. Generally, lenders should apply the same policies and procedures used in normal business practices to minimize the loss.

A lender may not submit a claim for loss before taking all appropriate actions to collect from all possible sources and realize on security. This can include:

- obtaining other collateral security of the farming operation
- realizing upon any security of the farming operation
- effecting a compromise settlement (**approval from the CALA Program officials is necessary for a compromise settlement**; refer to section 15.3 of these guidelines)

For a lender, "realize on security" or "realization of security" means:

- to seize, take possession of, sell, arrange for sale, or engage a third party to sell secured assets
- to fully settle or to negotiate a compromise settlement with guarantors (subject to CALA Program official approval; refer to section 15.3 of these guidelines)
- to have taken or be in the process of taking legal action without the lender necessarily having received any or all the respective proceeds
- to establish a market value of the security acceptable to the CALA Program officials at the lender's full risk and responsibility for subsequent liquidation



15.1 Realizing on the assets of the farming operation

Note: For impact on timing for the submission of a claim for loss, refer to section 17 of these guidelines.

All assets of the farming operation, including those not specifically acquired with loan proceeds, are subject to realization. Where the farming operation has assets over and above those held as security for the loan, lenders are expected to follow normal lending practice in determining the cost-effectiveness of realizing on those assets and, if appropriate, in realizing on those assets. Lenders are required to retain on file all documents pertaining to the realization of the security and, if appropriate, to provide the rationale for dealing with the other assets of the farming operation.

15.2 Collecting from guarantors/sole proprietors/partners

The lender must take reasonable steps to collect from the guarantor(s).

15.3 Compromise settlements


Compromise settlements can be made at the discretion of the lender with the approval of the CALA Program officials, based on the financial circumstances of the borrower and/or guarantors. In cases where the lender is negotiating a settlement of a loan, the lender should inform the CALA Program officials of the negotiations. The reason for, and basis of, any compromise settlement with a borrower should be well documented in writing.

Note: Approval from CALA Program officials is necessary for compromise settlements.

16. Sharing of costs and monies collected

Where monies are collected and/or costs are incurred on behalf of both the loan and other loans from the same lender, the costs incurred, and the monies collected are to be prorated between the respective loans as follows:

- based on the amounts of the unpaid principal
- where there is a judgment, based on the principal loan amounts claimed on the statement of claim
- where the realization proceeds are readily identifiable as belonging to the loan or to other loans from the same lender, costs which were incurred on behalf of all loans are to be prorated based on the amounts realized for the respective loans



Note: Where the lender has a prior charge on security held for the loan and costs are incurred in the liquidation of the security, all such costs must be deducted from the proceeds received by the lender. The net amount of the realization will then be applied to the loans according to security held.

17. Claim for loss time constraints

This section references [section 20](#) of the Regulations.

The lender has a maximum of 18 months from the date of default (refer to section 26 of these guidelines) to submit a claim for loss. The lender may submit a request to CALA Program officials to extend the claim submission deadline prior to the passage of the 18 months from the date of default. Further extensions are possible following the same procedure.

Note: CALA Program officials may require that a claim for loss be submitted at any time by notifying the lender in writing.

18. Reports

CALA Program officials may, from time to time, require a lender to provide reports or information with respect to a loan on an approved form.

19. Minister's liability

This section references [section 8](#) of the Act.

The Minister's liability to a lender for losses incurred because of loans made during a fiscal year, and the 4 preceding fiscal years, is a maximum of:

- 90% of the first million registered during the 5-year period
- 50% of the second million registered during the 5-year period
- 10% of the remaining amount registered during the 5-year period



20. Offences and punishment

This section references [section 17](#) of the Act.

Offences under the CALA Program may arise from:

- making false statement, misrepresentation, or providing false or misleading information
- fraudulently using the proceeds of a CALA Program loan for a purpose other than acquiring the approved assets

Punishment may include:

- indictable offenses with a fine of up to \$2,000
- a penalty equal to the amount of the loan not repaid, with interest until the date of conviction

Any proceedings related to a summary conviction offense may be started within 12 months after the subject matter arose.

21. Timing for submission of claims for loss


This section references [section 20\(2\)](#) of the Regulations.

The following sections (21, 22, 23, 24 and 25) pertain to a claim for loss submission. A claim for loss may be denied if loans were not administered in accordance with the Regulations.

Once the lender has suffered a loss, a claim for loss may be submitted to the CALA Program officials. The CALA Program officials may not be able to accept a claim for loss or recommend payment under the guarantee if:

- the security for the farm enterprise has not been realized
- the realization of non-farming operation assets of a sole proprietor or an unincorporated partner is incomplete

Note: The lender must submit a valid claim for loss within 18 months from the date of default. A request for an extension must be made before this period expires . Extensions cannot be made retroactively.



If it is impractical or impossible to realize on all or part of the security and guarantees, or collect the balance outstanding from the borrower, a claim for loss may be submitted. The claim for loss must include an explanation and supporting documents detailing why all security could not be realized on and why no further recovery could be made from the borrower.

Note: CALA Program officials may require that a claim for loss be submitted at any time by notifying the lender in writing.

22. Establishing amount of the claim for loss

22.1 The amount of loss is determined by the CALA Program officials by aggregating:

- the unpaid principal amount of the loan (after recoveries from the borrower, application of proceeds of security realization, and payments by guarantors)
- the accrued interest unpaid by the borrower before the due date of the first unpaid installment
- the uncollected interest accrued after the date referred to in the bullet above, outstanding at the time the claim for loss is approved for payment by the Minister, at the rate of interest specified in the written promise to repay the loan, for a maximum period of 365 days after that date
- the legal fees, costs, and disbursements attributable to the CALA loan that have been assessed and allowed by the CALA Program officials ([section 13](#) of the Act) less any costs recovered by the lender
- other costs or disbursements incurred by the lender in collecting, or endeavouring to collect, the loan or in protecting the interests of the Minister


22.2 Subrogation

Once a claim is final, the Minister is subrogated in all the rights of the lender. The government/lender loss-sharing ratio is 95% to 5%.

Note: A lender cannot avoid absorbing its 5% share of the loss by taking compensative security of any kind. Any recovery from such additional security, or any type of further recovery, must be applied to the loan and the loss accordingly.

22.3 Limit

Individual claims for loss submitted by the lender will be reimbursed as per section 22.1 of these guidelines. However, if the aggregate amount of claims for loss payments to a




lender reaches the maximum liability as per [section 8](#) of the Act (section 19 of these guidelines), subsequent claims for loss during that lending period cannot be reimbursed by the CALA Program officials.

23. Documenting claim for loss submissions

When a lender submits a claim for loss, any or all the following documents may be required:

- a properly completed claim for loss form certified by the lender
- a copy of the signed application form and evidence that the applicant was an eligible borrower under the CALA Program at the time the loan application was made
- a copy of the loan registration and fee receipt acknowledgment form, and a copy of any subsequent modifications, if applicable
- evidence of the actual cost of the equipment, premises, and/or land purchased, or in the case of “60-day” retroactive financing (refer to section 3.3 of these guidelines), proof that the cost of the asset(s) were paid by the borrower or by a third party on behalf of the borrower
- evidence that the loan proceeds were used to finance the cost of the asset(s);
- a copy of the borrower’s statement of loan account (for example, liability ledger card or computer printout), showing the date the loan proceeds were advanced and when all payments of principal and interest were made
- as per section 7 of these guidelines, a copy of the borrower’s promissory note or lender’s loan document showing agreed-upon terms and conditions for repayment of the loan (for example, interest rates and/or loan repayment dates and amounts)
- evidence that the lender has ensured compliance with the requirements outlined in section 19 of these guidelines
- a copy of the security documents relating to security and guarantees
- a copy of documents evidencing any revision in loan terms
- a copy of documents evidencing the sale of security
- a statement of unrealized security, including guarantees
- a copy of documents supporting any compromise settlement with the borrower or third parties, including guarantors
- a copy of invoices and/or receipts supporting costs claimed or costs deducted from asset sales
- details of the history of the account
- a copy of the statement of claim, judgment, and writ of execution

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- evidence of bankruptcy or receivership, a copy of the lender's proof of claim against the bankrupt estate of obligant (including the total amount owing on the loan), and the trustee's/receiver's final report, if issued
 - if the trustee's final report is not available, comments from the lender/trustee as to the probability of receiving dividends from the estate should be provided
 - a copy of any approved request for extension of claim for loss submission deadline
 - in the case of non-arm's length transactions, a copy of the appraisal obtained on the assets being financed
 - other documents as requested by CALA Program officials to process the claim for loss

Note: Lenders are required to keep all documents on file in accordance with normal banking practices.

24. Claim for loss form

Although the report of claim for loss form includes instructions for its completion, the following provides additional information for completing the narrative sections of the form.

24.1 History of the borrower

The "history of the borrower" must include brief comments, as appropriate, on the following:

- description of the farm operation
- purpose of loan and description of the assets being acquired and their function
- problems leading to default and claim

24.2 Information on loan

Description of security taken

- description of the security instrument and the rank of the security taken, including personal and corporate guarantees
- description of any subsequent amendments to securities and/or guarantees, and an explanation when a sole first or equal rank first fixed charge was not obtained



Description of the realization process and the reasons that any security/assets/guarantee(s) were abandoned:

- description of the method used to dispose of the collateral security, success of action taken, and recommended action to dispose of unrealized security
- an explanation of why the gross amount of proceeds realized from the disposal of collateral security, as well as recoveries from the guarantors and the borrowers were considered reasonable
- in cases where security is sold, and, to the knowledge of the lender, the purchaser is a party to or has an interest in the loan (for example, lender, borrower, shareholder, guarantor, landlord, or original vendor) or is related to the borrower by marriage or otherwise, an explanation as to why the sale and the amount realized was considered to be appropriate
- justification for abandoning asset security, if applicable (for example, value of asset security versus estimated realization costs)
- details of any suspected wrongdoing by the borrower (such as the unauthorized sale of assigned security) and actions taken by the lender to remedy the situation

Note: The completeness of the documentation will determine how fast the claim for loss will be processed. The claim shall be paid within 60 days after CALA Program officials approve the claim for loss.


24.3 Description of the potential for any additional recovery

- provide a description and appraised value of any unsold assets taken as security for the loan
- financial and employment data on the guarantors, supported by recent personal financial statements
- the lender's opinion as to the potential for future recoveries, its recommendation for further collection action, and the estimated costs involved

Note: If a current personal financial statement cannot be obtained from the guarantor(s), the personal financial information must be obtained from other sources, if possible.

25. Subrogation and post-claim receipts of proceeds

Once a claim is final, the Minister is subrogated to all the rights of the lender up to the amount paid. When a final claim is paid, no further collection measures are to be initiated or pursued by a lender or its agents (for example, a collection agency). However, a lender can execute judgments obtained before the final claim was



submitted. For example, if a lender obtained a judgment and registered a lien on the borrower's or guarantor's residence during the realization process, it may collect on the lien when the residence is sold.

The CALA Program official's share of any monies collected after payment of a claim for loss are to be forwarded to the CALA Program officials, with a cheque payable to the Receiver General for Canada. Include a statement showing the name of the borrower, the source of the funds, the date collection was made, the amount of any sums deducted from the gross proceeds, and a summary of the lender's prorated calculations where the funds are shared with other loans.

In the sharing of proceeds from the sale of security or collection on personal debts (direct or indirect), the lender must first determine the amount of proceeds applicable to the loan (refer to section 16 of these guidelines) and then calculate for the 95% government share and 5% lender share.

25.1 Collection of the debt by the CALA Program officials

Once the claim for loss under the guarantee has been approved by the CALA Program officials, the AAFC accounts receivable unit will undertake any collection action required to collect the debt owed to the Crown. The accounts receivable unit will attempt to collect the amount outstanding under the CALA Program through such means as the use of collection agencies, recovery from amounts owed to the borrower from other governmental programs, and any other methods deemed appropriate.

When possible, the lender should assist AAFC in the collection of the amount outstanding after AAFC has honoured the guarantee.

26. Designation of lenders


The designation of a lender under the CALA Program means the lender is:

1. eligible to issue loans under the CALA Program
2. eligible to make claims pursuant to the CALA Program and its Regulations

Definition of lender

Under the CALA Program, "**lender**" means:

- a bank or an authorized foreign bank as defined by section 2 of the [Bank Act](#)
- a credit union, *caisse populaire*, or other co-operative credit society that is designated by the Minister

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- a trust company as defined by the *Trust and Loan Companies Act*, that is designated by the Minister
 - a company, society, or provincial company defined by the *Insurance Companies Act*, that is designated by the Minister
 - an Alberta Treasury Branch established pursuant to the *Treasury Branches Act*, chapter t-7 of the revised statutes of Alberta 1980
 - any other organization that is designated by the Minister, with the approval of the Minister of Finance

26.1 Banks and Alberta Treasury Branches

Banks or authorized foreign banks and Alberta Treasury Branches are automatically designated as lenders under the CALA Program.

26.2 Credit unions, *caisse populaires* or other co-operative credit societies

As of January 8, 2009, credit unions, *caisse populaires*, and other co-operative credit societies that are members of the Canadian Payments Association, as established by section 3(1) of the [Canadian Payments Act](#), are automatically designated as lenders under the CALA Program lender designation policy.

26.3 Trust, loan, and insurance companies and any other organization

Trust companies, loan companies, insurance companies, or other organizations can become lenders under the CALA Program by applying for designation. The application should consist of the following:


1. A resolution from the board of directors certifying:
 - the corporation's desire to apply for designation as a lender under the CALA Program
 - copies of the organization's articles of incorporation
 - a valid certificate of good standing from its jurisdiction of incorporation
 - a declaration that the corporation is in compliance with all statutory requirements and filings
 - authorized business activities as per its letters of incorporation include commercial lending or are those of a loan company, a trust company, or an insurance company

- a declaration that the board is aware of the CALA Program terms, conditions, and regulations
 - a declaration that the organization employs competent commercial lending personnel
 - board understanding that the authority to make new loans will expire if the Minister exercises the right to withdraw designation under the CALA Program
2. A statement signed by a senior financial officer of the applicant confirming:
 - the date of commencement of commercial lending activities
 - the number and location of all branches and outlets, if any, of the applicant
 - the applicant possesses competent commercial lending personnel
 - the name and title of the person empowered to act on behalf of the applicant
 - the legal and business names (in both official languages, if applicable), the principal address, and contact information (for example, phone number(s) and/or email)
 3. Financial statements:
 - A copy of the 2 most recent audited financial statements of the applicant. Where the financial statements are older than 12 months, interim financial statements not older than 90 days are required.
 4. Criteria for consideration:

The following criteria will be considered by the Minister following the application of an organization as a lender under the CALA Program. Is the applicant:

- operating in Canada and currently granting commercial/business financial services, including term loans and capital leasing, in Canada for the purpose of financing land, premises, and equipment and has been doing so for a period of no less than 5 years
- incorporated or formed by, or under, an act of Parliament or the legislature of a Canadian province
- not already a lender under the definition of "lender" in [section 2](#) of the Act
- in good financial standing and is not subject to any proceedings relating to receivership, bankruptcy, insolvency, winding up, or dissolution

An organization that has not been designated but meets all the criteria listed in the application criteria (refer above to “1. A resolution from the board of directors certifying”), may be considered for designation as a lender pursuant to [section 2\(c\)](#) or [section 2\(e\)](#) of the Act.



Upon the Minister's approval of an organization's application, designation will be in effect. Once designated, the organization's status as a lender could be subject to a review of updated information as per the original application.

Pursuant to the authority to designate lenders, the Minister has the inherent right to withdraw designation of any organization designated under [section 2\(c\)](#) or [section 2\(e\)](#) of the Act if:

- the organization can no longer meet all of the criteria outlined above in “1. A resolution from the board of directors certifying”
- any of the organization's directors or officers are convicted of fraud
- the Minister believes, on reasonable grounds, that the continued designation of the organization may be detrimental to achieving the objectives of the CALA Program

Providing the information listed above does not guarantee that an applicant will be designated as a lender. Applications will be considered on a case-by-case basis. It is possible that, due to the particular circumstances of an application, additional information or documentation may be requested.