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# Defaults

**An account is placed in default and any interest-free benefits are forfeited when the applicant:**

Applicants who have defaulted in three separate crop years on their cash advances are ineligible to receive a cash advance in the program year following the program year the defaulted advance was repaid. This applies to advances issued in or after the 1997-98 crop year, under *AMPA*, *SCAP* and *ESCAP*.

- has not met all of the obligations of this application on or before August 17, 2007.
- has not taken advantage of delivery opportunities. The CWB will send a letter requiring repayment within 20 days;
- provides false or misleading information or evades repayment;
- does not comply with the Terms and Conditions of the repayment agreement;
- fails or refuses a bin inspection after the advance has been issued (shortfall is more than 10 per cent over the issued amount, calculated at the advance payment rate);
- files for bankruptcy or a receiving order is made against the applicant;
- has not applied for a delivery permit book by September 15th of the next crop year, where default has been stayed.

## Consequences of default

- Applicants with defaulted advances issued after the 1996-97 program year are not eligible for a new advance in the advance program year in which the advance is repaid. For example, if a defaulted 1997-98 through 2005-06 advance issued through *AMPA* is repaid in full after August 31, 2006, the applicant will not be eligible for another advance until 2007-08.
- When an applicant is defaulted, all related producers are ineligible to receive an advance until the defaulted account is repaid in full.
- After a defaulted account is repaid, the next application the applicant or related producer makes may require approval by the CWB before issuance. A bin inspection may also be required.
- Applicants who default under *AMPA*, *SCAP* or *ESCAP* in three separate program years, beginning with the 1997-98 program year, are not eligible to participate in the advance program for the balance of the program year the defaulted advance was repaid plus one additional program year. This applies to all farming operations in which the applicant has an interest.
- Deductions can be taken from any future CWB payments.
- Deductions can be taken from any payments the applicant receives from other Agriculture and Agri-Food Canada (AAFC) programs.
- Applicants with defaulted accounts where no repayment agreement is reached with the CWB will be notified when their accounts are forwarded to AAFC for collection.

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## Stay of default

If delivery opportunities have been limited during the crop year, the CWB will request that the Minister of Agriculture and Agri-Food Canada stay default into the next advance crop year until applicants have had sufficient delivery opportunities to repay their advances.

## Repayment

Upon default, the applicant must repay:

- outstanding principal;
- outstanding interest;
- default interest charges compounded from the date of the advance cash ticket; and
- any legal and collection costs.

All shareholders, partners or members of a corporation, partnership, cooperative or other business enterprise are individually and collectively responsible for the outstanding amount in the event of default.

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# Interest

## Interest-free portion

The first \$50,000 issued under a 2006-07 advance is interest-free to August 31, 2007 or until the account is defaulted. The interest is paid by the federal government. The \$50,000 interest-free limit includes amounts issued to related producers. Refer to pages 11 and 12. The interest free portion is repaid first.

## Interest on amounts over \$50,000

Interest is charged on the amount over \$50,000 from the day the cash ticket is issued. The interest rate is the prime lending rate set at the beginning of each month. Interest is calculated daily and compounded monthly.

## Default interest

### Crop years 2006-07 to 1997-98 (including *SCAP* and *ESCAP*)

- Interest is assessed from the date the advance cash ticket was issued on the principal outstanding at the time of default until the advance is repaid.
- Interest is assessed at the applicable rate identified in the table below, set at the beginning of each month, calculated daily and compounded monthly.

### Crop years 1996-97 to 1989-90

- Interest is assessed from the date of default on the principal and any interest outstanding until the advance is repaid.
- Interest is assessed at the applicable rate identified in the table below, set at the beginning of each month, calculated daily and compounded monthly.

Crop year	Default interest rate
2000-01 through 2006-07 ( <i>AMPA</i> , <i>SCAP</i> and <i>ESCAP</i> )	Prime plus three per cent
1999-2000, 1998-99	Prime plus five per cent
1997-98, 1996-97	Prime plus three per cent
<b>1995-96 - 1989-90</b>	<b>Prime plus one and one-half per cent</b>

For rates before 1989-90, call 1-800-275-4292.

## Cash refund interest

- Interest is assessed from the date the advance was issued on the amount exceeding the maximum interest-free limit (See page 22) to the date of the cash repayment.
- Interest is assessed at the prime lending rate set at the beginning of each month, plus three per cent, calculated daily and compounded monthly.