



Bulletin

Transfer of loans between lenders (Section 29 of the CSBF Regulations)

At the request of the borrower, a SBL or a CSBF loan may be transferred to another lender.

The transferee lender (acquiring lender) must satisfy itself that the transferor lender (original lender) has complied with all the terms and conditions of the Act and Regulations governing the loan being transferred. The acquiring lender should request the relevant information and documentation (e.g. invoices, proof of payment, loan documents/promissory note, etc.). Where the transferor lender refuses to give documents due to their privacy (e.g. internal loan authorization document), the Administration will accept a written confirmation from the original lender as to the loan approval date and other information such as eligible/ineligible fee. **These documents and information should be obtained at the time of transferring the loan.**

Since transfers of loans between lenders impact on the Minister's liability, it is possible that a request to transfer a loan could be refused if the Minister's liability became negative following the transfer. Hence, **the Administration would like to reiterate the importance of requesting the transfer of loan before committing any funds in favor of the original lender.** Upon receipt of the "Request for the Transfer of a Loan Between Lenders", form IC 2707E

(1999/03), the Administration will verify if the conditions to transfer the loan are met (e.g. Minister's liability and total number of transferred loan during a given period). **Provided the conditions are met, the transfer will be deemed to be effective as of the day the Administration signs the "Request for transfer" form and will adjust the Minister's liability on that day and for each lender.**

Each lender will be notified in writing of the transfer.

Increase of Registered Loans

In a situation such as cost overrun (e.g. equipment proves more costly than anticipated or an essential component of the project has been overlooked), the Administration may accept to increase the registered loan amount without having to submit a new registration form if the following conditions are met:

- 1) the request to increase the registered loan amount is made in writing within one year after the date of the first disbursement of the initial loan;
- 2) the lender details the new loan amount by class of loan;
- 3) the 2% registration fee related to the increase accompanies the request;
- 4) the lender attests that the increase relates to the same project;

5) the legal status of the borrower remains the same as that of the initial loan;

6) the loan is in good standing and all other terms and conditions of the Act and Regulations are met (e.g. securities are taken; first repayment of the loan is not delayed beyond one year; repayment period is not extended beyond 10 years);

7) the lender amends registered security to reflect the increased amount; and

8) the borrower certifies that there are no modifications to the "Borrower's Acknowledgment and Consent" Section of the registration form originally submitted.

We invite you to send us your comments and suggestions to help make this bulletin a simple and informative document that meets your needs.

Small Business Loans Administration

Info Line: (613) 954-5540

Fax: (613) 952-0290

Internet:

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