



Bulletin

Transfer of Loans Between Borrowers

(Reference: S.33 of CSBF Regulations; Item 8, Section B of CSBF Guidelines)

The Administration has received a number of enquiries from lenders seeking clarification on the steps required to properly transfer loan(s) between borrowers.

The CSBF Regulations allow for the transfer of loans between borrowers and the release of the original borrower provided that the following conditions are met:

- a) the new borrower is approved by the lender upon exercising due diligence;
- b) the new borrower and related borrowers' total outstanding CSBF and SBLA loans must not exceed the \$250,000 threshold;
- c) security of the same rank is maintained on the assets financed by the loan; and
- d) all existing guarantees and suretyships are replaced with other guarantees or suretyships of equal or greater value, for example:
 - when a sole proprietor incorporates, the lender may release the original borrower by replacing his or her personal liability with a personal guarantee not exceeding 25% of the amount of the loan originally disbursed.;

- when there is a change of partners in a partnership, the lender may release a departing partner of his or her personal liability by ensuring that the remaining partner(s) or the incoming partner(s) assume the personal liability of the departing partner.

In all the cases noted above, the **lender does not need to inform the Administration** of such transactions at the time they occur. However, the lender is required to provide explanations and documentation that legal requirements have been met in the event a claim for loss is filed.

Change of Name of Borrower(s)

(Reference: Item 7, Section B of the CSBF Guidelines)

When a borrower changes the name under which it operates but retains the same legal status, i.e., sole proprietor, partnership or corporation, it is important for the lender to obtain from the borrower formal notice and a copy of the pertinent legal documents such as registration, articles of amendment, etc.

Once again, the **lender does not need to inform the Administration** immediately of the changes. However, the lender is required to provide explanations and documentation that legal requirements have been met in the event a claim for loss is filed.

We have recently noticed that mistakes are being made during the completion of a claim for loss more specifically in boxes 21, 22 and 24.

Box 21 - Enter the total amount of of **all the borrowers' outstanding loans**, including Operating, lines of credit, term, SBLA, CSBF loans, etc.

Box 22 - Enter the amount of the SBLA or CSBF outstanding principal balance at default.

Box 24 - Enter the date when the first disbursement on the loan is made and not the date of the first payment of interest and principal on the loan.

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

Small Business Loans Administration

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