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# CANADA SMALL BUSINESS FINANCING PROGRAM

*Buy or lease – now the choice is yours*

Canada

One of the Government of Canada's best programs for small businesses has just become a whole lot better. And that means more opportunities for you.

Since 1961, hundreds of thousands of small businesses have obtained financing that might not otherwise have been available to them — thanks to the Small Business Loans Program and its successor, the Canada Small Business Financing (CSBF) Program.

Today the Program continues to help Canadian small firms get business improvement loans. But as of April 1, 2002, it also helps them access financing to **lease** new or used equipment under the five-year Capital Leasing Pilot Project.



### *How it works*

The Canada Small Business Financing Program seeks to increase the availability of loans and capital leases for establishing, expanding, modernizing and improving small businesses. It does this by encouraging financial institutions and leasing companies to make their services available to small businesses.

Under the Program, a small business must apply for a loan or lease to the financial institution (bank, credit union or caisse populaire) or the participating leasing company of its choice. If the application is granted, the federal government will guarantee 85 percent of the lender's losses in the event of default.

## *Is your business eligible?*

Most small businesses starting up or operating in Canada are eligible for CSBF loans and leases, as long as their estimated gross revenues do not exceed \$5 million during the fiscal year in which they apply. Sole proprietorships, partnerships and incorporated companies all qualify. Not eligible are farming and charitable or religious enterprises.

## *How the financing can be used*

**Commercial term loans** can finance up to 90 percent of the cost of:

- ✓ the purchase or improvement of real property and immovables;
- ✓ the purchase of leasehold improvements, or improvements to leased property; and
- ✓ the purchase or improvement of new or used equipment.



**Capital leases** (containing an option to purchase) can finance the cost of various types of new and used equipment, including:

- ✓ vehicles;
- ✓ hotel and restaurant equipment;
- ✓ medical and health services equipment;
- ✓ computer hardware and software;
- ✓ telecommunications equipment; and
- ✓ manufacturing equipment.

## *How much financing is available?*

The maximum amount a small business can access under the Program is \$250 000. This is the combined total it is allowed for all its CSBF loans and capital leases, including any loans under the earlier Small Business Loans Program.

## *Security*

For loans and capital leases alike, the same security requirements apply: both financial institutions and leasing companies are required to take security in the assets financed, in accordance with provincial law. They may also require corporate and/or personal guarantees; however, personal guarantees cannot be secured or exceed 25 percent of the total financing amount.

## *What does it cost?*

**Interest rates on loans** may be either floating or fixed. The floating rate cannot be more than 3 percent higher than a lender's prime lending rate. Fixed rates cannot be more than 3 percent higher than the lender's residential mortgage rate for the term of the loan.

**Lease payments** include an interest rate of up to 13.25 percent plus the Government of Canada bond rate for the term of the lease.

The interest rates include a 1.25 percent administration fee. In addition, at the time of registration all participants must pay a 2 percent registration fee. The fees cover the costs of the CSBF Program, which is self-financing. All loans and leases must be paid in full within 10 years.



## *A win-win-win situation*

The CSBF Program benefits small businesses, the lending community, the participating leasing companies and all Canadians:

**Small businesses** gain access to financing that might not otherwise be available to them.

**The lending community and participating leasing companies** can broaden their client base and meet the needs of emerging businesses.

**Canadians** benefit because the CSBF Program helps businesses grow and create jobs — and the result is a more dynamic Canadian economy.

## *Other information sources and services for small businesses*

### **CANADA BUSINESS SERVICE CENTRES**

The network of Canada Business Service Centres can help you develop, launch and expand your business ideas. In one convenient service, the Centres provide accurate and comprehensive business information from both federal and provincial/territorial levels of government. To learn about everything from start-ups to financing, business planning to exporting, contact the Canada Business Service Centre in your province or territory. Call 1-888-576-4444 or visit the Canada Business Service Centres Web site (<http://www.cbsc.org>).

### **BUSINESSGATEWAY.CA**

BusinessGateway.ca, a federal government Web site, offers a wealth of information about a wide variety of services for Canadian businesses. You can learn about start-ups, taxes and regulations, business statistics and analysis, human resources, importing and exporting. You can also find out about electronic forms and services, contracts, business tools, R&D tax credits, and much more. You can even check the waiting time at U.S. border crossings. Visit the BusinessGateway.ca Web site (<http://businessgateway.ca>).



### **YOUR GUIDE TO GOVERNMENT OF CANADA SERVICES AND SUPPORT FOR SMALL BUSINESS**

This up-to-date, reference book is a complete guide to federal government programs and services for small business. Consult it on-line (<http://strategis.gc.ca/smeguide>) or order a free copy by calling 1-888-576-4444.

## STRATEGIS

Industry Canada's "one-stop shopping" business and consumer information Web site, Strategis is one of the largest, most popular and most informative sites on the Internet. It covers virtually every issue or topic of interest to business, including sources of financing, government programs and services, patents and intellectual property, misleading advertising and predatory pricing, trademarks, and the regulations governing weights and measures. There's even a banking cost calculator. Visit the Strategis Web site (<http://strategis.gc.ca>).

### *To learn more about the CSBF Program*

Find out more about how your small business can grow with a CSBF loan or lease:

- contact your financial institution or a participating leasing company; or
- contact the Canada Small Business Financing Program:  
Small Business Loans Administration  
Industry Canada  
235 Queen Street  
Ottawa ON K1A 0H5

Tel.: (613) 954-5540

Fax: (613) 952-0290

Toll free: 1-866-959-1699

Web site: <http://strategis.gc.ca/csbfa>



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