

Farm Improvement and Marketing Cooperatives Loans Act (FIMCLA) CHECKLIST

Notice to Lenders : The following checklist may be reviewed when assessing the eligibility of a *FIMCLA* loan. We suggest that a copy of the completed checklist be retained in the customer file. This checklist is intended to be used as an aid and is not exhaustive.

Note: the Act & New Regulations apply to any loan registered *after* May 31, 1999. For loans registered prior to that date, please refer to the Act and the *Old* Regulations. For cooperative loans, please refer to section 6 of the Act.

Eligibility

- 1) The producer is eligible under the program** (S. 2 of the Act to confirm that the producer is a “farmer” and is “farming”)
- 2) The loan purpose is eligible** (Act s.4(1)a) - g) , New Regs. s. 2-3). Please note, advance rulings are available from the *FIMCLA* Administration.
- 3) The term is 10 years for all purposes except additional land loans which have a 15 year term.**
- 4) The aggregate of the producer’s outstanding and proposed *FIMCLA* loans does not exceed \$250,000** (Act s.4(3)(c) & s.5 (joint borrowers)).
- 5) The financial documentation demonstrates that the loan was awarded for the *improvement* of an existing farming operation and not for start-up purposes.**
- 6) There is financial documentation on file from, approximately *one year prior to the year in which the loan is requested*** (although an interim financial statement which fully demonstrates eligibility would also be acceptable). The financial documentation must demonstrate that the producer has an *established* farming operation and is actively engaged in farming (financials should indicate farm income/loss). **For loans which are refinanced/consolidated, the lender should *also* keep on file documentation for the *original* loan showing that the producer and purpose were eligible at the time the *original* loan was obtained.**
- 7) The producer has a land base either through ownership/rental/lease and this is substantiated in the financial documentation (eg. property taxes / rental payments / lease payments must be indicated) or through a formal/legal agreement (land deed title).** If the producer rents/leases a land base and this is *not* indicated in the financials, a *rental/lease agreement* must be in place at the time the loan is requested.
- 8) If the land base is leased and the *FIMCLA* was used to purchase items that form part of or are affixed to real or immovable property, the producer *must* have a lease agreement in place that extends 2 years beyond the term of the loan.**
- 9) Where the producer is a *corporation*, the *corporation* has proven that it is a “farmer”, that it is actively engaged in “farming” and that it has its *own* land base.**
- 10) The lender exercised “care and prudence” in approving the *FIMCLA* by obtaining credit references or conducting a credit check in accordance with the lender’s ordinary business practices.** (Note: in order to comply with the duty to exercise “care and prudence”, the lender should apply procedures in approving and administering a *FIMCLA* similar to those applied to non *FIMCLAs*).
- 11) There is an accurate *and* detailed promissory note on file.**

Security

- 12) Required security has been taken and registered appropriately.
- 13) The security is valid *and* enforceable.
- 14) Insurance is held over assets pledged, if applicable.

Assets Purchased

- 15) The loan amount is the lesser of 80% of the purchase price or appraised value of the property (excluding GST in all provinces and territories, GST & PST in Quebec). (Note: a producer cannot include receipts for *his or her own* labour)
- 16) There is evidence on file to support the cost of assets (invoices, contracts, purchase and sale agreements, etc.). (Note: where there is a Bill of Sale for non-arm's length transactions, the Bill of Sale must contain the following information: date of purchase, vendor's name and address, purchaser's name and address, purchase price, item(s) purchased.)
- 17) There is evidence on file to support that the assets financed by the loan *were paid for by the borrower* (canceled cheques, vendor's receipted invoice or vendor's declaration).
- 18) The receipts for purchases are dated *within the appropriate time frame* from the disbursement of loan funds. (Receipts must be dated a maximum of 60 days back from the *first* disbursement).
- 19) Where non-arm's length transactions are concerned, there is an *independent appraisal* on file. (Note: for consolidation/refinances, an independent appraisal may also be required).
- 20) The first scheduled repayment of principal is within a maximum of *one year (365 days)* from the date of first disbursement of loan proceeds and each payment is scheduled on at least an *annual* basis thereafter.

Interest Rates

- 21) The interest rate charged has not exceeded the *maximum* interest rates allowable under the Act (Floating = Prime + 1%, Fixed = RMR + 1%).

Registration

- 22) The loan registration form (Schedule 1) was submitted to the *FIMCLA* Administration with the registration fee (0.85%).
- 23) The loan was registered within the maximum time frame of the first disbursement of funds. Loans must normally be registered 60 days forward from the date of first disbursement, except in the case of construction loans which can be registered 180 days forward from the first disbursement.

Revision of terms

- **24) Before revising terms, it was verified that the loan was *not* in default.** (Note: if the revision does not fall under blanket approval, a Schedule 2 must be submitted to the *FIMCLA* Administration for approval).

Consolidation / Refinance

- **25) Before registering a consolidation / refinance it was verified that the loan was not more than 1 year in arrears in the case of loans paid in annual instalments, or not more than 6 months in arrears in the case of loans paid in more frequent instalments.** (Note: care and prudence may require that an appraisal be obtained at the time of the consolidation / refinance to determine that the loan will not exceed 80% of the current market value of the property being provided as security).

Other

- **26) No fee, service charge, or charge of any kind was, by the terms of the loan, payable to the lender in respect of the loan (as long as the farmer was not in default) and no fee, service charge, or charge of any kind have been charged to the borrower for the loan, other than those fees or charges which are prescribed by the Act or Regulations.**

NOTE: If “yes” cannot be answered to all of the above statements, a violation of *FIMCLA* may have occurred and the government guarantee may *not* be valid. Also, answering “yes” to all of the above statements does not necessarily *ensure* that the guarantee is/will remain valid. For more information on the *FIMCLA* program, please consult the new Lender’s Guidelines.

Program Staff

If you have questions about any of the above you may also contact the *FIMCLA* Administration and speak to one of the following officers: Bob Shalla (613) 759-6287, Suzanne Edge (613)759-6285, Bonnie Lidstone (613)759-6294, Paul Warden (613) 759-6286, Steve Sheehan (613) 759-6293. You may also contact Michèle Bergevin (613)759-6289, the A/Manager for the *FIMCLA* program.