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# Defaults

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

The default interest rate for after harvest advances is prime plus three per cent.

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

- has not met all of the obligations of this application on or before September 30, 2008.
- 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 October 15th of the next crop year, where default has been stayed.

## Consequences of default

- Applicants with defaulted advances are not eligible for a new advance in the production period in which the advance is repaid. For example, if a defaulted advance is repaid in full after September 30, 2008, the applicant will not be eligible for another advance until 2008-09. If a defaulted advance is repaid by September 30, the applicant is eligible for an after harvest advance on October 1.
- 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 crop years/production periods, beginning with the 1997-98 crop year, are not eligible to participate in the advance program for the balance of the production period in which the defaulted advance was repaid, plus one additional production period. 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. The federal government may deny the applicant access to other federal agriculture support programs or alternatively, off-set from that support a sum equal to the outstanding amounts and related interest and recovery costs.
- 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 production period, the CWB will request that the Minister of Agriculture and Agri-Food Canada stay default into the next production period 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 (includes joint producers) or members of a corporation, partnership, co-operative 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 \$100,000 issued under a 2007-08 advance (includes monies issued under pre-harvest advances) is interest-free to September 30, 2008, or until the account is defaulted. The interest is paid by the federal government. The \$100,000 interest-free limit includes amounts issued to related producers and through other program administrators on all agricultural products. The interest-free portion is repaid first.

## Interest on amounts over \$100,000

Interest is charged on the amount over \$100,000 from the day the advance 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 1997-98 to 2007-08

- 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.

Production Period	Default interest rate
2007-08	Prime plus three per cent
<b>Crop year</b>	
2000-01 to 2006-07 (AMPA, SCAP and ESCAP)	Prime plus three per cent
1999-2000, 1998-99	Prime plus five per cent
1997-98, 1996-97	Prime plus three per cent
1995-96 to 1989-90	Prime plus one and one-half per cent

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 27) 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.