



# Bulletin

## Renewal and Revision of Repayment Terms

(Subsection 10(3) and Section 11 of the CSBF Regulations; Item 3, Section B of the CSBF Program Guidelines)

Many lenders are requesting our approval to amend the repayment terms. Here is the rule to follow:

### 1. Approval is not required in the following cases:

- a) **the renewal** of the repayment term where the term of the loan has expired (e.g., two years fixed interest term) and the lender and the borrower agree to extend the loan repayment for an additional term keeping within the 10-year aggregate maximum repayment period;
- b) **the revision** of the repayment terms where the lender and the borrower agree to amend the repayment terms of the loan. The lender can amortize the loan for a period longer than 10 years and schedule a balloon payment at the end of the 10th year.

As an example, the lender can restructure the repayment term provided that at least one principal payment is payable annually and payment on the balance of the loan is restructured to achieve payout within the 10-year maximum period. This period commences on the date of the first scheduled principal payment specified in the original loan document.

The lender should ensure that the renewed or revised repayment terms are appropriately documented and that concurrence by the borrower is obtained.

**2. Approval is required** in situations where repayment cannot be made within the 10-year maximum period. In this situation, the lender must request from this Administration an extension of the loan term, substantiated by the appropriate documentation, such as a loan restructuring plan. **Such request will not be accepted by this Administration before the ninth or tenth year of the loan.**

## Industry Sector

A number of lenders are wondering what to enter in box 10 of the registration form, under the "Industry Sector" heading. Here is some advice to help you make a choice.

The sector entered on the form must correspond to the activity that best describes the borrowing company. Page 3 of the form contains a list you must use to find the letter for the industry sector that best matches the company's activity. It is important also to give a precise description of the borrower's main economic activity. Do not hesitate to use action verbs.

The company's activity must not be confused with the reason for the loan. For example, if the loan is for the

purchase of a tractor to be used for plowing snow in commercial parking lots, do not enter "tractor"; enter "**snow removal in commercial parking lots**". In the above example, "snow removal" would not be enough to describe the industry sector, because that term could also apply to removing snow from roads or roofs.

Here is another example, for a company specializing in the manufacture and installation of kitchen cupboards, it is not enough to enter "kitchen cupboards"; you must specify "**manufacture and installation of kitchen cupboards**", or **sale and/or repair of ..., transportation of ..., consulting services in ..., etc.**

Your co-operation will enable us to provide you with more precise data on program use.

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

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