



Bulletin

Claim for loss : form - Box 9

In order to expedite the processing of lender's claims, we have investigated some of the reasons for delays in this regard. Box 9 of the claim for loss form seems to be a source of problems for many. **For each class of loan**, the lender must calculate the eligible cost, the eligible amount of the loan and the percent of cost financed as follows:

Eligible cost: The eligible cost is the price contained in an invoice/purchase contract and for which there is a partial/total proof of payment. Any invoice/purchase contract for which there is no proof of payment is excluded. The cost on all invoices and purchase contracts submitted is totalled; the amount obtained is the **eligible cost**.

Eligible amount of the loan: (two steps)

Step 1: Lenders must first determine the amount of the proof of payment of each invoice and contract included in the eligible cost, which is based on the **lesser of**:

- the amount of the cheque submitted (cannot be greater than the invoice amount), if the amount of the cheque equals the amount of the invoice or purchase contract; or
- the amount of the payment if the cheque amount is less than the amount of the invoice or purchase contract.

The proof of payment on all invoices and contracts submitted is totalled; the amount obtained is the "*eligible proof of payment*".

Step 2: Lenders must then enter the **eligible amount of the loan** which is the **lesser of**:

- the "*eligible proof of payment*", as determined in step 1 above, and
- the "*maximum financing*", which is determined by calculating:
 - 90% of "*eligible cost*" - loans made after December 31, 1995
 - 100% of "*eligible cost*" - loans made after March 31, 1993
 - 80%/90% (refer to legislation) of "*eligible cost*" - loans made before April 1, 1993.

% of cost financed: Lenders must enter the percentage obtained by dividing "*eligible amount of the loan*" by "*eligible cost*". This percentage will not necessarily correspond with the one indicated on the Loan Registration Form nor the one indicated in step 2 above.

Here are some examples of how to fill Box 9 of the Claim for Loss form:

Example A: In May 1999, a CSBF loan for \$40,000 is made to finance 90% of the cost of equipment purchased. The lender submits invoices totalling \$45,000 supported by \$36,000 proof of payment. When filling out Box 9, the lender enters:

- eligible cost of \$45,000;
- eligible amount of \$36,000 (the lesser of the proof of payment of \$36,000 or the maximum financing of 90% of \$45,000 = \$40,500);
- % of cost financed of 80% (by dividing \$36,000 by \$45,000).

Example B: In May 1997, an SBLA loan for \$40,000 is made to finance 90% of the cost of equipment purchased. The lender submits invoices totalling \$36,000 supported by \$36,000 proof of payment. When filling out Box 9, the lender enters:

- eligible cost of \$36,000;
- eligible amount of \$32,400 (the lesser of the proof of payment of \$36,000 or the maximum financing of 90% of \$36,000 = \$32,400);
- % of cost financed of 90% (by dividing \$32,400 by \$36,000);

Example C: In May 1995, an SBLA loan for \$40,000 is made to finance 100% of the cost of equipment purchased. The lender submits invoices totalling \$42,000 supported by \$40,000 proof of payment. When filling out Box 9, the lender enters:

- eligible cost of \$42,000;
- eligible amount of \$40,000 (the lesser of the proof of payment of \$40,000 or the maximum financing of 100% of \$42,000 = \$42,000);
- % of cost financed is 95.2% (by dividing \$40,000 by \$42,000).

We anticipate that these clarifications will expedite the processing of claims.

We would like to thank those who have responded to our questions in our previous bulletin. The results will be published in our next bulletin.

Small Business Loans Administration

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