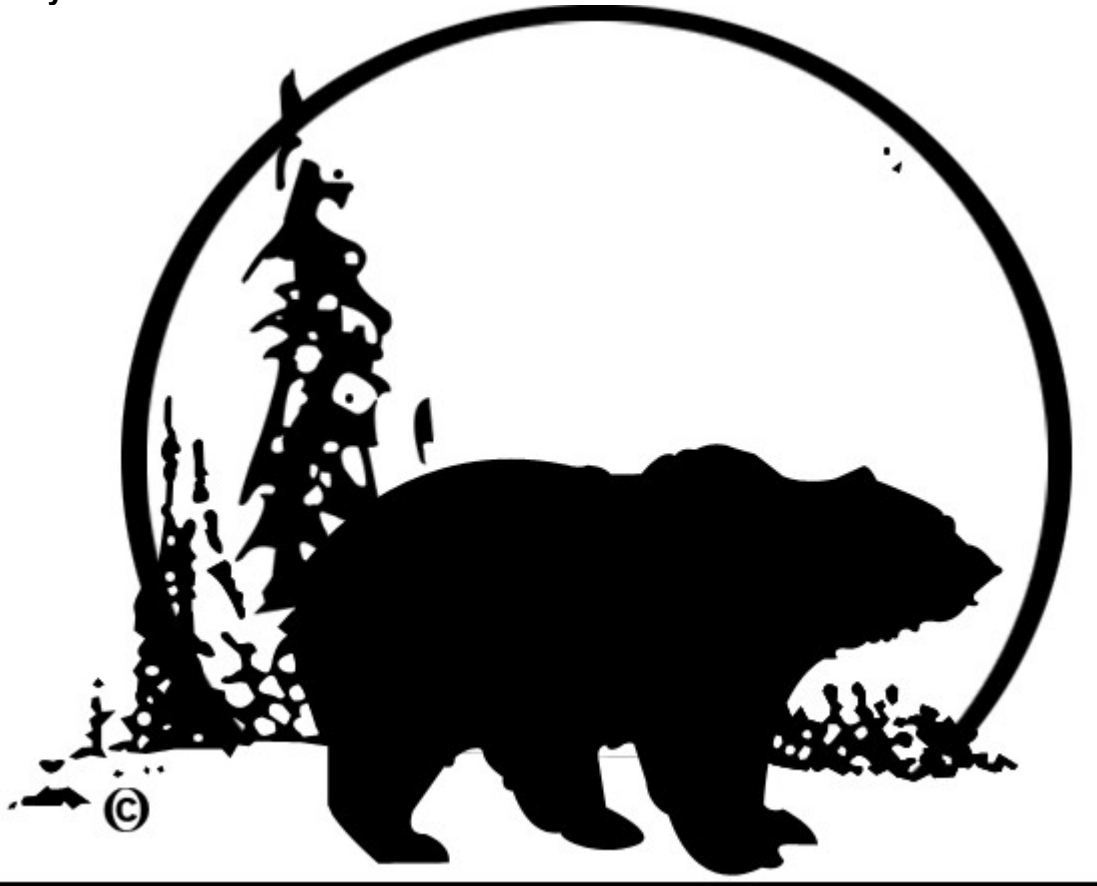


5.0 Loans Policy



Community Futures Development Corporation of Central Interior First Nations

Loans Policy and Procedure /

Operational financial policy section 5

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1 CFDC of CIFN Loan Policy

1.1 Purpose

- (1) CFDC of CIFN serves Indigenous communities within the Thompson, Shuswap, Nicola, Fraser Canyon, Lillooet, and Okanagan areas. This includes persons, groups, or businesses living both on and off reserves as well as in urban or rural settings. The Boards' main objectives include the creation and strengthening Indigenous business development and formation of programming and support measures to prepare Indigenous people entering the labour market.

1.2 Types of Financial Assistance

- (1) The investment fund is designed to provide several forms of assistance, including the following (Approved by Executive, Ratified by Full Board):
 - (a) Direct loans up to \$125,000;
 - (b) Direct Guarantees up to \$125,000;
 - (c) Cultural Livelihood up to \$25,000;
 - (d) Micro loans general up to \$25,000; and
 - (e) Micro loans up to \$10,000 (Requires General Manager Approval – Board Ratification)
- (2) Eligible applicants include Indigenous persons, businesses, and communities within the central interior and further upon request. Eligible applicants will be able to contribute to the training, employment, or economic development of Indigenous peoples of the area and who have economically viable or deemed to be potentially viable projects. Special provisions are made for the establishment of self-employed family enterprises.

1.3 Objectives

- (1) The investment fund has the following objectives:
 - (a) Establish self-sustaining funds owned by Indigenous people to promote business establishment and Indigenous employment.
 - (b) Develop and enhance the opportunities for business and investment by Indigenous enterprise.
 - (c) Develop and enhance the number of successful Indigenous entrepreneurs and the level of Indigenous employment; and
 - (d) Actively pursue the advancement of Indigenous people and their involvement in economic business development.
- (2) These objectives will be achieved by:
 - (a) Providing a source of capital for Indigenous people for economic development both on and off the reserves.
 - (b) Ensuring that Indigenous people engaged in business have basic information as to where to find managerial, professional, and technical services necessary for the successful operation of their business; and

- (c) Helping achieve integration of Indigenous businesses with the outer business community to help optimize opportunities for economic development.

1.4 Lending Practices

- (1) CFDC of CIFN lending practices will focus on character, capacity, and capability rather than collateral, capital, cash flow and conditions.
- (2) Personal covenants to individuals, corporate borrowers, or third parties will indicate a willingness and ability to honor commitments.
- (3) Personal supporters and guarantors of direct loans, whether they be an individual or a corporation, will have sound financial ability and a proven track record. Further, personal supporters and guarantors should not have a financial stake in the proposals they are supporting.
- (4) The financial status and debt servicing ability of borrowers will be substantiated by current financial records and reports. Loan agreements must require clients to provide accurate accounting records, statements, and reports within reasonable time limits.

1.5 General Lending Principles

- (1) Client Disclosure:
CFDC of CIFN's disclosure to all clients will be open, honest, fair, and complete to the best of their knowledge.
- (2) Market Focus:
The investment fund will focus its attention on establishing Indigenous businesses within the central interior and further upon request.

1.6 Operating Philosophy for Funding the Investment Fund

1.6.1 Purpose

- (1) The investment fund is to be used for comprehensive programs that enhance economic development. The investment fund is primarily a source of loan financing for individual owned Indigenous businesses.
- (2) The investment fund will increase economic opportunity, training, employment, and wealth thereby enhancing the quality of life for Indigenous people.
- (3) The goals of the investment fund will be accomplished through the following:
 - (a) pre-loan client counselling;
 - (b) client assistance regarding preparation of business plans;

- (c) advice on contribution funding sources available to Indigenous clients, materials as provided to CFDC of CIFN by various funding sources; and
- (d) post-loan business counselling.

1.7 Lending and Investment

- (1) Any changes or recommendations to the Lending and Investment Policy will be presented to the Board for approval at any duly convened board meeting.
- (2) The Executive Committee is authorized to approve all direct loans and direct loan guarantees. Loans to any one individual directly or indirectly through partnership, company, sole proprietorship should not exceed \$125,000.
- (3) Members of the Executive Committee and the Board must be in Good Standing with the CFDC of CIFN.
- (4) The CFDC of CIFN will not make a loan to, or guarantee the repayment of a loan made to, a director, officer, or employee of the CFDC of CIFN or to a partnership in which a director or employee is a partner.
- (5) The CFDC of CIFN will not make a loan to guarantee the repayment of a loan to, or purchase shares in, an incorporated business in which an officer or employee of the CFDC of CIFN has decision-making responsibilities in relation to investment fund applications, or to an incorporated business in which a director of the CFDC of CIFN has a significant business interest.

2 Loan Programs

- (1) For the purposes of all loan programs an Indigenous person is one of the following:
 - (a) Status Indian;
 - (b) Non-Status Indian;
 - (c) Inuk; or
 - (d) Metis.
- (2) The CFDC of CIFN will not make any loans to a director, officer, or employee of the CFDC of CIFN or to a partnership in which a director, officer, or employee is a partner.
- (3) The CFDC of CIFN will not make a loan to an incorporated business in which an officer or employee of the CFDC of CIFN has decision-making responsibilities in relation to investment fund applications, or to an incorporated business in which a director of the CFDC of CIFN has a significant business interest.

2.1 Aboriginal Entrepreneurship Program

- (1) Information about the Aboriginal Entrepreneurship Program can be found in the CFDC of CIFN Business Plan Workbook.

2.2 Emergency Loan Program

2.2.1 About the Emergency Loan Program

- (1) The Emergency Loan Program (ELP) is a component of the Indigenous Business Stabilization program provided by the CFDC of CIFN with the assistance of the Canadian Government.
- (2) The ELP is designed as an emergency measure to support small businesses owners in meeting their immediate operating cash flow needs. The funds provided through the ELP are not intended to replace or duplicate government or other lender emergency funds available to Canadian businesses.
- (3) Indigenous owned businesses negatively impacted by COVID-19 can apply for funding through the ELP to support their immediate working capital and operational needs.
- (4) In times of emergency, the ELP aims to provide the ability to access business opportunities when they arise to promote business continuity and survival.

2.2.2 Eligible Applicants

- (1) The ELP is for Indigenous businesses negatively affected by COVID-19.
- (2) Directors, officers, and employees of CFDC of CIFN will not be eligible to access the ELP however the CFDC of CIFN may assist in finding partnering organizations to assist when appropriate.

2.2.3 Parameters

- (1) The maximum amount of a ELP loan is \$40,000 comprised of a 75% loan and 25% non-repayable grant issued together.
- (2) A ELP loan has a maximum term **of** 48 months.
- (3) There are no payments within the first 12 months of obtaining a ELP loan. Payments will begin on the 13th month and are fully amortized over the remainder of the term.
- (4) Principle repayments may be repaid without penalty any time after six months of issuance.
- (5) Eligible expenses are non-deferrable operating expenses, including, but not limited to:
 - (a) payroll;
 - (b) rent;
 - (c) utilities;
 - (d) insurance;
 - (e) property tax; and
 - (f) regularly scheduled debt service.
- (6) Emergency measures include, health and safety improvements, workplace sanitization, procedures to secure employee safety, and procedures to prepare the business for opening.
- (7) Ineligible expenses include payments and/or expenses relating to, prepayment or refinancing of existing debt, dividends, distributions, and increases in management compensation.

2.3 All Nations Trust Company

- (1) Information about the All-Nations Trust Company can be found in the CFDC of CIFN Business Plan Workbook.

2.4 Business Equity Fund

- (1) Information about the Business Equity Fund can be found in the CFDC of CIFN Business Plan Workbook.

2.5 First Citizens Fund

- (1) Information about the First Citizens Fund can be found in the CFDC of CIFN Business Plan Workbook.

2.6 New Relationship Trust

- (1) Information about the New Relationship Trust can be found in the CFDC of CIFN Business Plan Workbook.

2.7 Cultural Livelihood

2.7.1 About Cultural Livelihood

- (1) The Cultural Livelihood (CL) loan program aims to support cultural businesses involving artisans, hunters, gatherers, harvesters, and traditional medicines.

2.7.2 Eligible Applicants

- (1) The CL loan program is available to Indigenous applicants ages 18 and over.

2.7.3 Parameters

- (1) The CL loan program supports a loan up to \$15,000.00.
- (2) The CL loan program is not for refinancing existing debt.

2.8 Micro Loans

- (1) Micro Loans are considered loans up to \$25,000.00 Board approved or loans up to \$10,000.00 General Manager approved.

3 Credit Management

3.1 Products

3.1.1 Term Loans

- (1) Most loans will be medium-term loans repayable within 1 – 3 years. Medium-term loans are generally needed where funds are required to purchase products that would be deemed either a capital asset or an investment in revenue such as equipment, machinery, leasehold improvement, and cultivation and seeding.

3.1.2 Letter of Guarantee

- (1) A Letter of Guarantee may be made on behalf of a client to secure outside commercial financing or a contract.

3.1.3 Syndicated Loans

- (1) Syndicated loans will be evaluated in the same manner as all other loans. CFDC of CIFN will conduct an internal analysis to determine both the viability and acceptability of risk.

3.1.4 Interest Rates

- (1) Interest rates fluctuate and will be determined at the discretion of the Executive Committee, the Business Analyst - Loans, and the General Manager. Considerations may involve the type of security, the length of the loan, the strength of the applicant, and any other factors

that the CFDC of CIFN deems appropriate.

- (2) Candidates who provide a positive credit score as well as acceptable security are generally considered to be lower risk and may be eligible for a lower interest rate.
- (3) Candidates of good character who provide a lower credit score and who may not have acceptable security are generally considered to be higher risk and will be eligible for an interest rate that appropriately accounts for such risk.

3.2 Restrictions

- (1) Short term operating lines of credit will not form part of the primary focus for CFDC of CIFN lending.
- (2) Payment will be restricted to a maximum of 84 months.

3.3 Financial Ratios

- (1) Two ratios that should be considered are debt servicing coverage and debt to equity coverage.

3.5 Loan Portfolios Available

3.5.1 General Portfolio

- (1) Available for any worthwhile business purpose which cannot be met by other loan portfolios held by CFDC of CIFN.
- (2) Maximum loan amount is \$125,000. This amount may be exceeded on exceptional bases as approved by the Board.
- (3) Funds may not be used to refinance existing debt.

3.5.2 Disability Investment Fund

- (1) Available to applicants with self-declared disabilities and any worthwhile business purpose.
- (2) Maximum loan amounts up to \$125,000.
- (3) Funds may not be used to refinance existing debt.

3.5.3 First Nations & Inuit Youth Investment Fund

- (1) Available to applicants ages 15 to 18 with any worthwhile business purpose.
- (2) Maximum loan amount is \$3,000.
- (3) Youth aged 19 -29 years are eligible for all lending programs

- (4) Funds may not be used to refinance existing debt.
- (5) A refund of 1/3 of the interest paid annually on the date the original loan was granted may be available to clients at the discretion of CFDC of CIFN.

3.5.4 Community Business Development Fund (NACCA Agri Ease of Access) Formerly Forest Renewal British Columbia

- (1) Available for any worthwhile forestry related purpose.
- (2) Maximum loan amount is \$75,000.
- (3) Funds may not be used to refinance existing debt.

4 Portfolio Management and Monitoring

4.1 Staff requirements

- (1) The investment fund must have qualified staff who have the time and skills to monitor loans, assess status, risk rate, and deal with loans that are not operating satisfactorily as well as non-performing loans.
- (2) Regular monitoring and loan reviews are required to identify problems early and minimize loss.

4.2 Monitoring

- (1) All loans will be monitored according to the terms and conditions of the loan agreement and as required on a periodic basis, but not less than annually.

4.3 Loan Review

- (1) All loans will be reviewed at least annually and will be eligible for renewal if operating in a satisfactory manner.
- (2) A loan review entails that the security is current and in order.

4.4 Reporting Watch List and Non-Performing Loans

4.4.1 Classifying the Loan Upon Review

- (1) Loans will be reviewed quarterly and categorized as either satisfactory, watch list, or non-performing.
- (2) Loans designated as watch list and non-performing loans will be reported to the Board on at least a quarterly basis.

4.4.2 'Satisfactory' Loans

- (1) Satisfactory loans are loans operating according to the terms of the loan agreement and do not have any of the characteristics of a non-performing loan. Satisfactory loans will be monitored on a normal basis.

4.4.3 'Watch List' and 'Non-Performing' Loans

- (1) Watch list loans are loans that are not operating satisfactorily. The designated officers responsible will undertake appropriate action.
- (2) Non-performing loans are loans for which either of the following apply:
 - (a) payments are over 90 days in arrears (principal only); or
 - (b) an event of default has occurred.
- (3) Loans designated as watch list or non-performing loans will only be re-instated to a satisfactory loan status if all arrears have been paid up to date and if the events of default have been corrected.

4.5 Accounting – Interest

- (1) Interest will not be accrued on loans designated as non-performing unless there are reasonable grounds to believe both the principal and interest are fully collectable.
- (2) When interest arrears reach 6 months, accrual shall cease, and the interest accrued to that time shall be reversed from revenue.
- (3) Any payments received after the 6-month period will be applied first to the principal and then to interest so that interest revenue is not distorted.

4.6 Debt Collection Costs

- (1) All debt collection costs will be charged to the investment fund and not debited to the operating fund.

4.7 Provision for Losses

- (1) An acceptable provision for losses is currently set at ten (10) percent in investment fund loans.

4.8 Write-Offs

- (1) All loan write-offs will be approved by the Board upon recommendation by the General Manager.

5 Pacific Economic Diversification (PacifiCan) Reporting

- (1) Once the loans have all been input properly and the settings have been configured for Fern, it will be possible to track PacifiCan reporting metrics.

- (2) The Pacific Economic Diversification Performance Report Manual is included as Appendix 5.

5.1 NACCA Reporting

5.1.1 Fern Generates an ADLA Report

Administration and Loans departments required to input numbers and statistics in this area.

6 Financial and Risk Management Policy – General Policy includes Operations

6.1 Risk Management

- (1) The purpose of risk management is to identify risks as early as possible.
- (2) The goals of risk management are to mitigate risk as much as possible and to develop a risk management process that continues to be an integral part of CFDC of CIFN's operating procedures.
- (3) The General Manager is responsible for implementing the risk management policy.
- (4) In creating the risk management policy, the CFDC of CIFN will:
 - (a) identify potential risks using a risk register;
 - (b) ensure that risk management is an integral part of the operating procedures;
 - (c) identify and deal with risk in a proactive manner;
 - (d) discuss the risk register annually with staff to ensure comprehension and understanding;
 - (e) provide adequate resources for appropriate risk management mitigation;
 - (f) require training for individuals involved in high-risk activities;
 - (g) track risk mitigation actions; and
 - (h) update and review the risk register annually and present to the Board for approval.

6.2 Cheque Signing Policy

- (4) All cheques issued on behalf of CFDC of CIFN must be signed by enough eligible signatories and documented adequately.
- (5) All cheques must contain two eligible signatures. Eligible signatories are those signatories approved by the Board by a motion passed by the Board.
- (6) Eligible signatories have the authority to sign cheques.
- (7) Eligible signatories cannot sign blank cheques or cheques made payable to themselves.
- (8) All details on the cheque form must be filled out in advance of being signed.
- (9) It is the responsibility of the General Manager to ensure that staff are aware of the cheque signing policy.
- (10) The General Manager will ensure that breaches of this policy are brought to the attention of the Board and appropriately dealt with.

6.3 Fixed Asset and Equipment Disposal Policy

6.3.1 Purpose

- (1) To ensure that decisions made in relation to the disposal of fixed assets and equipment are in the best interests of CFDC of CIFN and that the process is open and fair to all

employees and others participating in the process.

- (2) To ensure the disposal of fixed assets and equipment are properly accounted for in the records and financial statements.

6.3.2 Policy

- (1) The General Manager is responsible for identifying and properly accounting for the disposal of all fixed assets and equipment.
- (2) All assets over \$1,500 in value must be professionally appraised.
- (3) All asset disposals over \$5,000 in value must have the prior written approval of the Board.

6.3.3 Procedures

- (1) A fixed asset or piece of equipment is identified by the General Manager as being one of:
 - (a) obsolete;
 - (b) damaged beyond repair;
 - (c) completely depleted;
 - (d) beyond its economic life; or
 - (e) no longer required by CFDC of CIFN.
- (2) The General Manager determines the value and determines if the fixed asset or equipment needs to be appraised or requires Board approval.
- (3) Unless approved to be specifically designated to an individual or organization, the status of the asset will be advertised for a minimum of two weeks.
- (4) Payment for assets over \$ 5,000 in value must be in secured funds.
- (5) The General Manager shall process the transaction to account for the disposal, transfer, or sale of the asset at the time of disposal as determined by the Executive Committee.
- (6) The General Manager will report to the Board in writing indicating that the disposal, transfer, or sale has been completed.

6.4 Donation Policy

- (1) The CFDC of CFN welcomes donations of any sort from the community, subject to the following:
 - (a) the Board reserves the right to make the ultimate decision regarding the disposition of donations;
 - (b) the Board is not obligated to accept donations; and
 - (c) the Board shall cause an accurate receipt to be issued for the donation.

6.5 Investments

- (1) Operating funds more than the amounts needed to meet anticipated cash requirements of the corporation will be invested until such time as they are required.
- (2) The General Manager determines anticipated cash requirements on a quarterly basis and a monthly minimum cash balance for operating purposes is determined. Cash forecasts are prepared regularly and if projections warrant such, new investments are purchased.
- (3) Operating and endowment funds will be invested in separate portfolios.
- (4) Investments will follow provincial legislation and guidelines and will be established and maintained by the General Manager.
- (5) All investments will be made with the following objectives, in priority order:
 - (a) preservation of capital;
 - (b) management of portfolio risk; and
 - (c) achieving high investment returns.
- (6) Investments can be made into any prudent securities, including guaranteed investment certificates, government bonds, or corporate bonds with a minimum of AAA rating. Board approval is required prior to investment in other types of securities.
- (7) Investment portfolios will be sufficiently liquid to fund all disbursement obligations and commitments while maintaining diversification and enough returns.
- (8) Where investment products have a degree of market volatility, recovery plans will be established in the event of an economic downturn.
- (9) The General Manager will provide to the Board through the Executive Committee, an annual Investment Strategy report which will include a report on the performance and status. This report will include benchmarks and comparatives of current investments.
- (10) The General Manager will provide oversight on:
 - (a) the selection of investment managers;
 - (b) evaluations of investment manager performance; and
 - (c) developing and maintaining appropriate conflict of interest guidelines.

6.6 Budgeting

- (1) CFDC of CIFN should follow generally accepted principles and practices of budgeting. CFDC of CIFN must have its' operating and capital budgets approved by the Board annually.

6.6.1 Procedure

***Dates based on a fiscal year of April 1 – March 31*

- (1) The annual operating budget is the main tool the Board uses to monitor and plan the financial resources of the organization, and it is the method by which the organization links its goals to its resources.

- (2) Steps to budget development and approval.
 - (a) The General Manager develops a draft operating budget based on the objectives and goals for the upcoming year through the strategic plan and annual staff planning.
 - (b) The operating budget is presented to the Board at the February meeting for review and discussion.
 - (c) Budgets are presented to the Board at the March meeting for review and approval.
- (3) To operate within the approved budgets:
 - (a) the General Manager and supervisors shall have the authority to spend within the approved operating budget; and
 - (b) the staff shall adhere to generally accepted procedures for approval such as unbudgeted expenditures and authority limits.

6.6.2 Board Monitoring

- (1) The operating budget will be used to monitor the financial activities of the organization by way of comparison to the monthly/quarterly financial statements to allow the Board to analyze the organization's financial status.
- (2) Financial statements must include:
 - (a) the current month;
 - (b) the current year-to-date;
 - (c) the previous year-to-date; and
 - (d) the year-to-date budget variance.
- (3) This policy and procedure also applies to special project budgets that may be secured from time to time.

6.6.3 Budget Approval

- (1) The General Manager will present to the Board an annual operating budget which must be balanced or in a surplus position.
- (2) If a deficit budget is presented, a deficit recovery plan must accompany the budget.
- (3) The Board shall approve the annual operating budget in advance or as early as possible to the beginning of the new fiscal year.

6.7 Banking Services

- (1) The General Manager has the responsibility of ensuring that banking services provided to CFDC of CIFN meet the needs of the corporation.
- (2) The General Manager shall request tenders for banking services at least once every five years, with discretion to request more often if they deem necessary.

6.8 Collection of Revenues

- (1) The General Manager has the responsibility of ensuring that procedures and systems are in place to collect and account for all revenues due to CFDC of CIFN in a timely, accurate and efficient manner.

6.9 Discharge of Financial Obligations

- (1) The General Manager will have the responsibility of ensuring that procedures and systems are in place to discharge all financial obligations of CFDC of CIFN in a timely, accurate and efficient manner.
- (2) All procedures and systems will comply with statutory requirements and generally accepted accounting principles.

6.10 Payments Over \$10,000

- (1) Any payment to be made in the amount of \$10,000 or more requires approval by the Board.
- (2) Any cheques issued by CFDC of CIFN in the amount of \$10,000 will require approval of the Board or the Executive Committee.
- (3) Payments remitted to the Receiver General of Canada are excluded from this policy.

6.11 Capital Acquisition

- (1) A capital acquisition is defined as an asset that:
 - (a) is tangible and complete;
 - (b) is used in the operation of CFDC of CIFN's activities;
 - (c) has value that will extend beyond one year of use; and
 - (d) is valued at \$5,000 or more.
- (2) Capital acquisitions are amortized according to the Corporation's fixed assets procedures using the straight-line depreciation method.

6.12 Signing Authority of Contracts

- (1) The General Manager has signing authority and can legally bind the institute for all contracts up to \$200,000 where CFDC of CIFN is providing regular services.
- (2) Contracts over \$200,000 require a motion passed by the Board except those contracts funded by the Provincial and Federal Government, including PacifiCan.

6.13 Credit Card

6.13.1 Policies

- (1) CFDC of CIFN credit cards will be issued to the General Manager and other management staff upon approval of the Board.

- (2) Credit cards will be used only for business purposes. Personal purchases of any type are not permitted.
- (3) The following purchases are not permitted with a CFDC of CIFN credit card:
 - (a) capital equipment and upgrades over \$5,000;
 - (b) personal items or loans; and
 - (c) any items deemed inconsistent with the values of CFDC of CIFN.
- (4) Cash advances on credit cards are not permitted.
- (5) Cardholders will be required to sign an agreement indicating their acceptance of these terms.
- (6) Individuals who do not adhere to these policies and procedures will risk revocation of their credit card privileges and/or disciplinary action.

6.13.2 Procedures

- (1) Credit cards may be requested for prospective cardholders to the Board. Credit card issuance requires a motion passed by the Board.
- (2) Detailed receipts must be retained and attached to the credit card statements.
- (3) Receipts for meals and entertainment must include:
 - (i) the date

- (ii) the time;
 - (iii) the names of all persons involved in the purchase; and
 - (iv) a brief description of the business purpose of the purchase (in accordance with internal audit controls).
- (4) Detailed receipts must be submitted and approved within 10 days of the receipt being issued to enable timely payment of amounts due.

7 Fern

- (1) Fern is a software produced by Fassbank. Fassbank helps financial institutions easily manage loan portfolios, comprehensively track all interactions with clients and businesses and offers utility and efficiency once employed to its highest potential.
- (2) To track metrics, the best practice is to always have Fern open on the desktop to easily input information about general inquiries, prospects, and clients.

8 Financial and Accounting Procedures

- (1) ADP payroll and benefits.
- (2) Paying invoices.
- (3) Ensuring that all DEFT payments and reversal are posted and/or reversed to the client account in FERN.
- (4) Administering trust agreements.
- (5) Writing cheques.
- (6) Bank deposits.
- (7) Reconciling bank accounts with transactions.

APPENDIX 1: COLLECTIONS MANUAL

1 Introduction

- (1) The Community Futures Program assists rural communities in developing strategies for dealing with a changing economic development.
- (2) Through funding provided by PacifiCan, each Community Futures Development Corporation (CFDC) has access to a capital that may be loaned to individuals and corporations in the community.
- (3) The objectives of CFDC lending are:
 - (a) to foster entrepreneurial development by providing both financial and technical support to new and existing small businesses; and
 - (b) to promote and facilitate activities that improve the social, environmental, and economic well-being of citizens in the community.
- (4) In providing developmental loans to community businesses and entrepreneurs, CFDC takes on significant credit risk because, in some cases, the borrower's business venture does not have an established record, and the loan may not be as secured as a more conventional loan. Because of this, CFDC can expect to incur loan losses (i.e., "cost of doing business").
- (5) To achieve its' vision while still being financially viable, CFDC must maintain loanlosses at an acceptable level using:
 - (a) sound loan underwriting and approval processes;
 - (b) effective monitoring of existing loans for the purpose of detecting possible changes in the borrowers' "ability to pay"; and
 - (c) effective delinquency monitoring and collections processes.

It is important that these three activities of underwriting/approval, monitoring and collections should be linked to one another as part of CFDC's overall risk management strategy.
- (6) Policy and procedures for underwriting and approval will differ depending on the program requirements for each individual loan. The reader is advised to consult with the program lending guidelines to ensure a borrower's credit applications is following standards.
- (7) Loan monitoring practices may vary from one CFDC to the next as CFDCs find that conventional financial statement reporting requirements employed by the banks are not well suited for developmental loans.

- (8) In the absence of formal reporting, the lender makes more telephone calls and on-site visits about the health of the client's business. Effective contact management systems (i.e., Fassbank, Outlook) make loan monitoring easier. The reader is advised to refer to the letter of offer to determine what level of reporting/monitoring is appropriate for each loan.
- (9) Delinquency monitoring and collections processes are described in this manual.

2 The Collections Function

2.1 Objectives

- (1) The primary objective of the collections function is to minimize the total cost to CFDC stemming from problem loans. Problem loans are loans not recovered plus the cost of operating the collection's function, including the use of outside resources.
- (2) In keeping level with CFDC's mission statement, two secondary considerations are:
 - (a) assisting the borrower to successfully restructure their financial affairs; and
 - (b) maintaining a positive business relationship between CFDC and the borrower.

2.2 Policy and Procedure

- (1) This collections manual details the policies and procedures that the CFDC will use when collecting a delinquent loan. The manual provides a framework that dictates what actions to take and when. This manual recognizes that each case of loan delinquency presents its own set of circumstances. Every situation of loan delinquency must be scrutinized before deciding to proceed with a loan recovery strategy.
- (2) Exceptions to the policy on loan delinquency may be permitted but must take place only after obtaining permission from the supervisor of the General Manager. All exceptions to this policy should be properly documents in the loan file.
- (3) The policies and proceedings contained in this manual are based on those found in other financial institutions. CFDC's collection practices are more lenient than most commercial lenders. CFDC's community economic development mandate and reputation as a community orientated and socially responsible organization, results in more forbearances and fewer instances of 'calling the loan'.
- (4) Some of CFDC's borrowers may be unfamiliar with institutional lending and may not fully understand all the specifics outlined in the loan documents.
- (5) CFDC's loans may be secured by security with a limited cash value (also known as soft security).

- (6) Lending may be under secured such that most loans from CFDC will not be as well secured as conventional commercial loans.
- (7) CFDC's unique situation requires that it be more flexible when it comes to initiating collections activity. The preferred solution is to have the borrower pay off the loan voluntarily. CFDC should take legal action or seize security as a last resort.
- (8) The general concepts outlined in this manual are applicable to all CFDC's loan programs. In addition, certain loan programs may have specific procedural collections requirements. The reader is directed to refer to the appropriate manuals for these types of loans.

2.3 Key principles of Collecting

- (1) The success of CFDC's collection's function will be directly related to how quickly and effectively delinquency and collection problems are dealt with.

2.3.1 Six Principles of Effective Collecting

- (1) Prompt Detection:

To respond to a missed payment, the collector must be aware that the payment has been missed. Accounts that "fall through the cracks" and suffer from a delayed or completely absent collections effort become less collectible as time passes. It is important that new delinquencies are detected and dealt with promptly.

- (2) Early Contact with Borrower:

When a payment is missed, the borrower must be contacted as soon as possible. The main objective is to plan for payment. Establishing contact with the borrower promptly shows that CFDC considers loan delinquency to be serious, resulting in:

- (i) quick resolution of overdue accounts; and
- (ii) fewer instances of missed payments in the future.

- (3) Get information/Give Information:

The collector asks questions to understand the borrower's personal and financial situation. Having a complete picture of the borrower's affairs makes collections work easier and more effective. The collector will communicate CFDC's requirements to the borrower so that he/she understands the necessary payment amount, deadline for making payments, and consequences of non-payment.

When both parties understand each other's needs and wants, a negotiated solution is more likely to be reached.

(4) Commitment to Action:

Each time the delinquent account is worked on, the collector makes a commitment to action thus moving the account closer to completion. The commitment to action can be:

- (i) writing a letter;
- (ii) making a phone call;
- (iii) obtaining a Credit Bureau report; or
- (iv) contacting a guarantor or reference person.

(5) Documentation:

Documentation of the collections process is vitally important. Accurate records of correspondence, telephone calls, promises for payment and agreements for payment alterations are essential to maintain the integrity of the account file. Fern best practices have been built into each of the collection steps.

A file that has been well documented is:

- (i) easy for another collector to pick up and begin working on because all the details of the account are disclosed; and
- (ii) more legally enforceable, should a security realization become necessary.

A file that has not been well documented is:

- (i) confusing due to the omission or inadequate description of the steps taken to collect; and
- (ii) not legally enforceable because without proper documentation of the loan agreement, security agreement, and collections activities, the courts may be reluctant to award judgement to the lender.

Therefore, the collector is required to make copies of letters sent to the borrower and make notes of telephone calls and details of all promises of payment. Records of these events will be kept in the loan file.

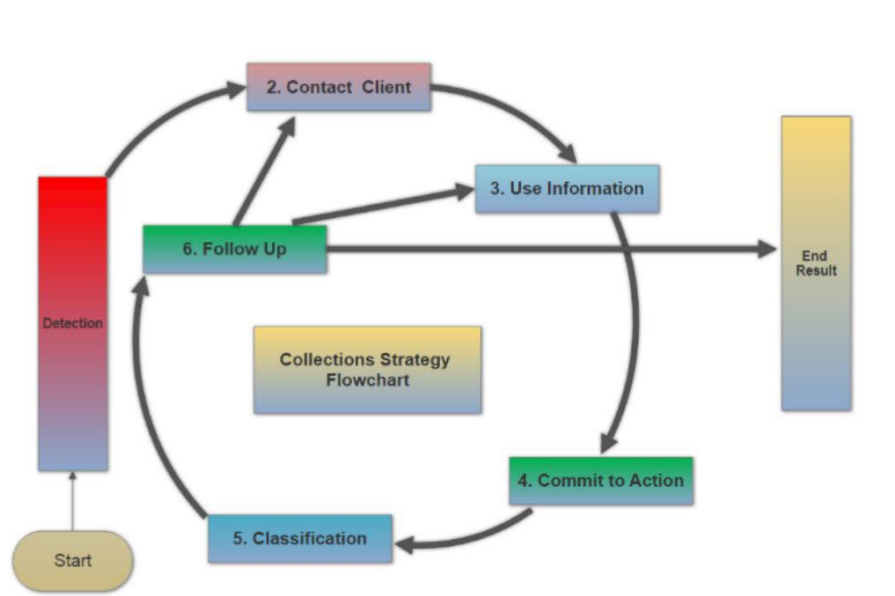
(6) Follow Up:

The most important principle of collections is the follow up. The collector must revisit delinquent accounts to ensure that:

- (i) telephone messages have been returned;
- (ii) promises for information have been fulfilled;
- (iii) commitments to pay have been fulfilled; and
- (iv) payments have been received.

When a collector fails to follow up, the borrower is more likely to pay other creditors who are more persistent in their efforts to recover funds.

These six principles are shown in the schematic below:



2.4 The Monitoring Process

- (1) The monitoring process is the mechanism for alerting the lender of loans with delinquent payments.
- (2) A report is generated by the CFDC's loans software to alert the staff of transactions that have failed to take place (i.e., NSF cheques, insufficient funds for pre-authorization payments, etc.).
- (3) The lender is responsible for contacting the borrower as soon as possible for the purposes of obtaining the missed payment.

2.5 The Collections Process

2.5.1 A Collector's Approach to the Borrower

- (1) When the borrower takes out a new loan, the lender should make the payment terms very clear.
- (2) When a payment is missed, it is important to contact the borrower to remind him/her of the agreed upon terms. It is the collector's responsibility to convey to the borrower that the loan delinquency is not acceptable, and that all means necessary will be employed to bring the loan into good standing.

- (3) Contacting the borrower immediately reinforces the importance of making timely payments, resulting in:
 - (a) a quicker resolution of overdue accounts; and
 - (b) fewer instances of missed payments in the future.
- (4) Generally, a collector begins a dialogue with the delinquent borrower using a good-natured, problem-solving approach. Drawing on the trust established in the application development, the lender can usually get a commitment for payment without being aggressive.
- (5) As the delinquency ages, it is necessary for the collector to become increasingly firm with the borrower. This can include:
 - (a) demanding payment in full; and/or
 - (b) establishing a deadline for action.
- (6) The procedures to be used in each step of the collections process are described in the subsequent sections and may vary with each individual client. The steps describe the negotiation and communication tactics used in a typical collections file. Depending on the situation, the collector may decide not to follow the negotiation/communication tactics exactly as set out. However, the collector should still comply with policy requirements

2.5.2 Tactic 1

- (1) The lender will phone the borrower at his home or place of business. In the first call the collector will:
 - (a) identify himself or herself as a CFDC representative;
 - (b) speak with the borrower directly;
 - (c) identify the loan being collected;
 - (d) state the amount owing; and
 - (e) ask for a payment in full.
- (2) The single largest failing of collectors is the failure to say: "We require payment in full." It is imperative that that this key message is delivered to the borrower.
- (3) When in speaking with the borrower:
 - (a) record all the information the borrower provides on a Collections Worksheet; and
 - (b) obtain a commitment from the borrower to remedy the situation.
- (4) If the borrower's bank has insufficient funds for a pre-authorized transfer:
 - (a) ask the borrower to call his bank to check the balance;
 - (b) ask the borrower to deposit funds to the account (if necessary);
 - (c) establish a date and time when the funds will be available; and
 - (d) diarize the account for follow up.
- (5) If the borrower's cheque is returned by the bank as an NSF item:
 - (a) explain what has happened to the borrower;

- (b) provide the borrower with options to achieve restitution;
 - (c) establish a deadline for payment; and
 - (d) diarize the account for follow up.
- (6) If the borrower says the cheque is in the mail:
- (a) ask the borrower for the cheque number, the dollar amount, and the date of the cheque;
 - (b) determine the date the cheque was mailed;
 - (c) explain to the borrower that Canada Post takes less than 5 business days to deliver mail within BC, and if the cheque has not arrived by that time, a replacement cheque must be sent by courier to CFDC of CIFN; and
 - (d) diarize the account for follow up.

2.5.3 Fern Best Practices:

- (1) Document each interaction with the client when a missed payment occurs.
- (2) Emails can be sent directly from Fern: click on email, choose the client's contact name and use a subject outlining the topic specifically to find it easily in the future, such as "Missed Payment dated month/date/year". The email will be housed within Fern and an 'Interaction' window will pre-populate with much of the necessary information. Use the same subject: "Missed Payment dated month/date/year" to find it easily.
- (3) Telephone conversations will also be documented in Fern: open 'Interaction' and 'Add Activity'. Use the same subject format: "Missed Payment dated month/date/year".
- (4) Set a 'Task' for follow up with the client at a pre-determined time. This will allow for another 'Interaction' to be documented.

2.5.4 Tactic 2

- (1) If the collector is not able to reach the borrower by telephone within one week, a collection notice should be sent to the borrower stating:
 - (a) the amount past due;
 - (b) the payment due date;
 - (c) a deadline for payment; and
 - (d) the name and telephone number of the collector.

See Letter #3.

- (2) After 15 days, the collector should have a good understanding as to whether the delinquency will be resolved quickly.
- (3) In conversation with the borrower, the collector should ask six questions.
 - (1) Why didn't you pay?
 - (2) Why didn't you phone the office?
 - (3) How much can you pay?
 - (4) When can you pay?

- (5) Where is the payment money coming from?
- (6) When can you pay again?

When the collector knows the answer to these six questions, the seriousness of the delinquency can be judged more accurately.

- (4) If the borrower indicates payment.

If the collector has:

- (a) made telephone contact with the borrower who has indicated that a payment will be made; and
 - (b) payment has not been received before the account becomes 15 days past due,
- the collector should send a letter confirming the arrangements for repayment, including the promised amount to be paid and the date promised for payment.

See Letter #2.

- (5) If the borrower Indicates Non-Payment.

If collector has made telephone contact with the borrower who has not indicated that a payment will be made, the collector should send a letter stating:

- (a) the amount past due;
- (b) the payment due date;
- (c) a deadline for payment; and
- (d) the name and telephone number of the collector.

See Letter #1.

- (6) Promises for payment must be followed up diligently. If the borrower promises to make a payment of a specified amount on a specific date, it is important the collector confirm whether this promise has been kept. If the borrower defaults on the promise, the collector must contact the borrower immediately for an explanation and insist on an immediate payment. This firm approach to broken promises indicates that:

- (i) CFDC is serious about collecting delinquent loans; and
- (ii) CFDC makes records of borrower's promises to ensure those promises are kept.

2.5.5 Fern Best Practices:

- (1) Document each interaction with the client when a missed payment occurs.
- (2) Emails can be sent directly from Fern: click on email, choose the client's contact name and use a subject outlining the topic specifically to find it easily in the future, such as "Missed Payment dated month/date/year". The email will be housed within Fern and an '**Interaction**' window will pre-populate with much of the necessary information. Use the

same subject: "Missed Payment dated month/date/year" to find it easily.

- (3) Telephone conversations will also be documented in Fern: open 'Interactions' and 'Add Activity'. Use the same subject format: "Missed Payment dated month/date/year".
- (4) Set a 'Task' for follow up with the client at a pre-determined time to allow for another 'Interaction' to be documented.
- (5) If you are sending collection letters: document this as an 'Activity' and set a 'Task' for follow-up.

2.5.6 Tactic 3

- (1) The first 30 days are a critical time for collections. During this period, the collector must ensure that the borrower knows that his/her obligation to CFDC is a top priority.
- (2) Credit Reporting takes is required for all delinquent accounts. The collector must explain to the borrower that all loans more than 30 days in arrears are reported to the Credit Bureau. The consequences of reporting credit information should be spelled out.
- (3) Credit information stays on record for seven years.
- (4) Future creditors can obtain this information from the Credit Bureau.
- (5) Derogatory credit ratings can make it difficult to borrow in the future.
- (6) Missed payments on loans advanced to corporations cannot be reported on an individual's personal credit report (even if the loan is secured by the business owner's personal guarantee). However, if the CFDC obtains a judgement against the individual guaranteeing the loan, credit reporting is permitted.
- (7) For loans advanced to proprietorships and partnerships, the borrowers are personally liable for payments and should have non-payment reported to the Equifax.

Equifax has recently merged with the Credit Bureau and is responsible for collecting credit information for individuals and businesses.
- (8) Some borrowers may be inexperienced users of credit and may not understand the repercussions of missed payments on their credit. Part of CFDC's community mandate is to teach clients how to manage a business. Collecting (and the negative effects of credit reporting) are a part of the teaching.
- (9) While being respectful to the borrower, the collector must ensure that the client understands loan delinquency is unacceptable, and payments must be maintained to keep the account in good standing.

2.5.7 Fern Best Practices:

- (1) Document each interaction with the client when a missed payment occurs.
- (2) Emails can be sent directly from Fern: click on email, choose the client's contact name and use a subject outlining the topic specifically to find it easily in the future, such as "Missed Payment dated month/date/year". The email will be housed within Fern and an **'Interaction'** window will pre-populate with much of the necessary information. Use the same subject: "Missed Payment dated month/date/year" to find it easily.
- (3) Telephone conversations will also be documented in Fern: open 'Interactions' and 'Add Activity'. Use the same subject format: "Missed Payment dated month/date/year".
- (4) Set a 'Task' for follow up with the client at a pre-determined time to allow for another 'Interaction' to be documented.
- (5) If you are sending collection letters: document this as an 'Activity' and set a 'Task' for follow-up.

2.5.8 Tactic 4

- (1) The emotional appeal is a useful technique for influencing borrowers to make payments. The collector can try to appeal to the borrower's emotional side by using some of the following arguments:
 - (a) explaining to the borrower that non-payment of loan erodes CFDC's ability to advance loans to other community businesses, thus preventing them from getting the necessary financing;
 - (b) loans that become far past their due date will be presented to CFDC's Executive Committee and Board of Directors who will discuss strategies to collect the loan;
 - (c) non-performing loans may require legal action (i.e., a matter of public record) which can be personally embarrassing and result in the loss of personal assets (i.e., house, car, etc.); and
 - (d) a more aggressive letter outlining consequences of not cooperating should be sent before 45 days.

See Letter #3.

2.5.9 Tactic 5

- (1) After approximately 45 days, the relationship-based approach used by the lender will normally be changed to a more direct and impersonal approach.
- (2) The lender may turn over the account to a second collector who has no personal relationship with the borrower. In this event, the first collector will indicate to the borrower that the collections department will be handling the account until it is brought into good standing.

See Letter #4.

- (3) If the first collector feels that his collections work is close to generating a payment, he may choose to keep the file and continue to work with the borrower.
- (4) After approximately 45 days, the second collector will begin looking at alternatives to collect the debt. If the borrower is cooperative, but unable to make payments, the collector will stay in contact by telephone, and will research options.

Questions include:

- (a) Is there a relative or family member that can lend money to the borrower in order to make payments?
- (b) Are there other sources of income that can be used?
- (c) Are there assets that can be sold to make payments (i.e., vehicles, trailers, land, etc.)?

In addition to helping the borrower find a solution to the problem, asking these questions provide CFDC with information that can be useful should legal action become necessary.

2.5.10 Fern Best Practices:

- (1) Document each interaction with the client when a missed payment occurs.
- (2) Emails can be sent directly from Fern: click on email, choose the client's contact name and use a subject outlining the topic specifically to find it easily in the future, such as "Missed Payment dated month/date/year". The email will be housed within Fern and an 'Interaction' window will pre-populate with much of the necessary information. Use the same subject: "Missed Payment dated month/date/year" to find it easily.
- (3) Telephone conversations will also be documented in Fern: open 'Interactions' and 'Add Activity'. Use the same subject format: "Missed Payment dated month/date/year".
- (4) Set a 'Task' for follow up with the client at a pre-determined time to allow for another 'Interaction' to be documented.
- (5) If you are sending collection letters: document this as an 'Activity' and set a 'Task' for follow-up.

2.5.11 Leverage – An Example

A collector may learn something from the borrower that can be used as leverage to collect payment. For example:

The borrower says: "I need to use the equipment for a job that begins in November, but I won't be making payments until that job is finished."

The collector says: "You are two months behind on your payments at the present time. We would prefer to have you sell the equipment to pay the loan now. If you are not able to make payments now, you must sell the equipment."

The borrower says: "I can't sell the equipment, because I need it for the job!"

The collector says: "We need to receive payments. If you can't make the required payments, we'll have to come and repossess the equipment."

The collector used leverage to pressure the borrower to make payments. Faced with the prospect of having the equipment seized before the job begins, the borrower has an additional incentive to find the money to make the payments.

2.5.12 Ultimatums – An Example

A collector may give an ultimatum to carry out an action against the borrower if the payments are not received by a certain date. When the ultimatum is given, it is important that it be followed through. For example:

The collector says: "If we don't have a payment in our office by the last day of the month, we will contact our lawyers and ask for a foreclosure action be initiated against your property..."

To maintain credibility, the collector must follow through and initiate a foreclosure as promised.

2.5.13 Tactic 6

- (1) All delinquent accounts will be reviewed at approximately 90 days. At this time, the collector will evaluate the likelihood of recovery and CFDC's loan recovery options. A decision will be made about the disposition of the account considering the following issues:
 - (a) security position;
 - (b) if there a deficiency;
 - (c) security condition;
 - (d) if the security can be located;
 - (e) if the security is sizeable;
 - (f) cost of collections;
 - (g) the amount of time and money that has been spent to date; and
 - (h) the most cost-effective way to recover the account.

- (2) Once an account has aged to approximately 90 days, CFDC should take steps to recover the loan by means of realizing security, initiating a foreclosure, referral to a collection agency or other legal action to bring the account towards closure.

- (3) Each case of loan delinquency presents its own set of circumstances. Individual situations must be scrutinized before deciding to proceed with a loan recovery strategy. If the use of legal remedies to collect the account is to be delayed, the General Manager should be informed of the reason.

- (4) Unless there is an exception to policy, a final demand letter will be sent at approximately 90 days.

See Letter #5.

2.5.14 Tactic 7

- (1) The Final Demand letter provides the borrower with 20 days to plan for payment. After this grace period has expired, CFDC may recover the balance owing by realizing on the security in several ways.
 - (a) Initiating a foreclosure - if CFDC holds a mortgage document as security and wishes to initiate a foreclosure, the file will be turned over to a lawyer who will seek on Order Nisi.
 - (b) Seizing Goods which CFDC has a Registered Security Interest - if CFDC holds valid security on specific or general goods, a bailiff may be commissioned to repossess the specific goods for storage and subsequent sale.
 - (c) Seeking a Judgement Against Borrower - a lender may prepare a claim for the BC Small Claims Court. The maximum amount of the claim shall not exceed \$35,000. To claim an amount greater than \$35,000, [Small claims - what is Small Claims Court? - Province of British Columbia \(gov.bc.ca\)](#) a lawyer must be retained to initiate a Supreme Court action.
- (2) Note: This manual does not provide the detailed steps to be followed when realizing security.

2.5.15 Fern Best Practices:

- (1) Document each interaction with the client when a missed payment occurs.
- (2) Emails can be sent directly from Fern: click on email, choose the client's contact name and use a subject outlining the topic specifically to find it easily in the future, such as "Missed Payment dated month/date/year". The email will be housed within Fern and an 'Interaction' window will pre-populate with much of the necessary information. Use the same subject: "Missed Payment dated month/date/year" to find it easily.
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- (4) Set a 'Task' for follow up with the client at a pre-determined time to allow for another 'Interaction' to be documented.
- (5) If you are sending collection letters: document this as an 'Activity' and set a 'Task' for follow-up.

2.6 Loan Alterations and Rewrites

- (1) In certain situations, the best solution for dealing with a delinquent account may be to alter the terms of the loan or rewrite the loan.

2.6.1 Payment Alterations

- (1) Payment alterations are alterations to an existing loan not including extension of due date or new funds.

For example:

- (a) Suspension of Payments - the borrower is permitted to stop making payments on date X and is required to resume the payments later a date Y. The borrower may be required to make larger payments starting on date Y until the loan arrears are caught up.
- (b) Temporary Reduction of Payments - the borrower is permitted to make reduced payments starting on date X (i.e., interest plus a portion of the regular principal payment or just interest only) and is required to resume making payments of the original amount on a later date Y. The borrower may be required to make larger payments starting on date Y until the loan arrears are caught up.
- (c) Reduction of Interest Rate - the interest rate charged on the loan is reduced.

These payment alterations are material changes to the loan agreement. Such changes must be documented in the loan file.

- (2) The following questions should be considered when assessing a request for an alteration in loan terms.
- (a) Why does the borrower wish to change the repayment terms?
 - (b) Who are the other creditors? How much is each one owed? How does the borrower intend to repay them?
 - (c) Is the proposal temporary (i.e., the borrower incurred unexpected expenses, but is employed and has capacity to pay)?

2.6.2 Loan Rewrites

- (1) Loan rewrites involve a renegotiation of terms, and possibly new funds of new security. They require a new loan agreement, payout of the old loan and an advance of a new loan.
- (2) A rewrite may involve:
- (a) a capitalization of arrears - CFDC may permit the arrears to be added to the loan balance; and/or
 - (b) a longer amortization period - monthly payments are adjusted to meet the borrower's capacity to pay.

- (3) Rewriting is only appropriate if the borrower has a temporary financial setback (i.e., unemployed, strike) and has realistic chance to comply with the terms of the rewritten loan.
- (4) Because loan rewrites might be used inappropriately (i.e., to manipulate delinquency ratios or to assist a borrower to delay bankruptcy), lending policies, internal controls, and audits should pay special attention to this area. Refer to CFDC's Investment and Lending Policy and Commercial Loans, Procedures Manuals for more information on preparing loan rewrites.
- (5) If a borrower declares bankruptcy within three months of a loan rewrite and the pledging of new assets, the security will be set aside by the bankruptcy court. CFDC will not have the right to seize the new assets. When rewriting a loan for a delinquent borrower and taking additional collateral or altering the collateral, the CFDC must do so with extreme caution while carefully analyzing the borrower's financial position.
- (6) Certain questions should be considered when assessing a request for a loan rewrite.
 - (a) Will the borrower's financial situation improve or stabilize in the immediate future?
 - (b) Is the borrower of good character and has he/she shown an honest willingness to repay the loan?
 - (c) Are the borrower's prospects for continued employment good?
 - (d) Is the security pledged against the loan in good condition?
 - (e) Does the borrower have the capacity to meet the new debt service requirements?
 - (f) Does the borrower have a strong recovery plan, and can they realistically meet all debt obligations in the future?

2.6.3 Monitoring the Loan Rewrite

- (1) Once the loan is rewritten, the loan must be monitored to ensure that the borrower meets the terms stipulated in the rewrite.
- (2) Monitoring should continue until the collections officer feels confident that the borrower will continue to meet his obligations.

2.7 Writing-Off Loans

- (1) A loan should only be written off after exhausting all possibilities of recovery and when there is little or no chance of recovering further amounts.
- (2) Although the loan is no longer on the books, CFDC may still endeavor to collect the loan.

2.7.1 When to Write-Off a Loan

- (1) A loan should only be written off when:
 - (a) every reasonable, cost-effective effort has been made to collect it.
 - (b) all security that can be seized has been realized and the proceeds have been applied to the loan.

- (c) the borrower has declared bankruptcy and/or the loan is unsecured; or
- (d) the borrower appears to have no means of repaying the loan now or in the future.

2.7.2 Writing-Off a Loan – The Process

- (1) Once a loan is determined to be uncollectable, the following procedure is followed to write-off the loan.
 - (a) Prepare a Resolution- the collections staff will recommend to the Executive Committee that the loan be written off. The Executive Committee will approve the write-off and forward it to the Board of Directors for final approval.
 - (b) Notify the Credit Bureau - the Credit Bureau should be notified that the loan has been written-off. If the borrower wants to obtain a new loan from another lender, the new lender will insist that all previous bad debts be paid before advancing new money.

2.7.3 Continuing Collection Efforts After Write-off

- (1) After a loan has been written-off the books of CFDC, the following collection efforts should be continued.
 - (a) Pursue the Account - continue pursuing the account until such time as it is deemed completely uncollectable is fully collected, or a settlement has been reached. Revisit the account once a year to determine if there are opportunities to collect.
 - (b) Record any Recoveries - post the payment information to the appropriate ledger and document the payment amount received in the borrower's loan file.
 - (c) Close the Account - close the account when the loan is deemed completely uncollectable, is fully collected or when a settlement has been reached.

2.8 Reporting and Monitoring

- (1) A report showing delinquent accounts that have aged more than 30 days will be prepared monthly/quarterly for review by the Executive Committee/Board of Directors.
- (2) Loans recommended for write-off must be presented to the Executive Committee. The Executive Committee will approve the write-off and forward it to the Board of Directors for final approval.

3 Letter Examples – The Collections Process

3.1 Letter # 1 – Loan Account

Today's Date

Borrower's Name

Borrower's Address

City, Province, Postal Code

Re: Loan Account

Please be advised that we have been unsuccessful at processing your loan payment for the month of _____, as your (Cheque/Pre-Authorized Payment) has been returned to because of (Insufficient funds/Closed Account). Please refer to the attached loan account transaction history report and note that you are currently _____ days in arrears.

In order to bring your account up to date we require that you forward a cheque or money order in the amount of \$_____ to our office within five (5) business days.

If you are unable to provide full payment to our office within the above specified time period, please contact our office to make alternative arrangements.

We expect this unsuccessful processing of your loan payment is merely an unintentional oversight. We ask that upon receipt of this letter you forward payment in the amount of \$_____ to our office via cheque or money order. If it is more convenient for you to have us deduct this payment directly from your bank account, please provide us with your current banking information and the earliest date we may process your payment.

Once again, we would like to encourage you to contact our office if you have any questions regarding your loan account.

Yours truly,

[Collector's Name]

[Collector's Title]

Email: [Inset Email]

Telephone: [XXX-XXX-XXXX]

3.2 Letter # 2 – Promise for Payment

Today's Date

Borrower's Name

Borrower's Address

City, Province, Postal Code

Re: Promise for Payment

I am writing to follow up on our telephone call on _____, 20___. On that date you promised to make a payment of \$_____, to be (mailed to us/deposited to your account). More than 15 days have passed since this payment was to have been received. Because of this, your account remains in arrears.

It is important that this situation is remedied immediately. Please contact me as soon as possible to make arrangements for payment.

Yours truly,

[Collector's Name]

[Collector's Title]

Email: [Inset Email]

Telephone: [XXX-XXX-XXXX]

3.3 Letter # 3 – Overdue Loan Payment

Today's Date

Borrower's Name

Borrower's Address

City, Province, Postal Code

Re: Overdue Loan Payment

As we have been unable to contact you by telephone, we are writing to bring your immediate attention to the difficulties we have experienced in processing your loan payment. Please refer to the attached loan account transaction history report and note that you are currently _____ months in arrears.

To bring your account up to date we require that you forward a cheque or money order in the amount of \$ _____ to our office within five (5) business days.

If you are unable to provide full payment to our office within the above specified time, please contact our office to make alternative arrangements.

Your attention to this matter is strongly advised.

Yours truly,

[Collector's Name]

[Collector's Title]

Email: [Inset Email]

Telephone: [XXX-XXX-XXXX]

3.4 Letter # 4 – Loan Arrears

Today's Date

Borrower's Name

Borrower's Address

City, Province, Postal Code

Re: Loan Arrears

We have not received the payments required to keep your loan account in good standing. The present amount in arrears is \$_____. The account is_____ days in arrears.

Because of this, your account is being referred to our Collections Specialist who will be handling your account until the payments have been made.

Any questions you may have about this account should be directed to [Collections Specialist's Name] (telephone: [XXX-XXX-XXXX]).

Please contact her as soon as possible to plan for payment.

Yours truly,

[Collector's Name]

[Collector's Title]

Email: [Inset Email]

Telephone: [XXX-XXX-XXXX]

3.5 Letter # 5 – Final Demand

Today's Date

Borrower's Name

Borrower's Address

City, Province, Postal Code

Re: Final Demand

You have not responded to our letters and telephone calls. Your account has become exceedingly past due.

We demand full payment in the amount of \$ _____ by _____, 20__.

Failure to pay the full amount will result in the commencement of proceedings against you without further notice.

THIS IS A FINAL DEMAND

Govern yourselves/yourself accordingly,

Yours truly,

[Collector's Name]

[Collector's Title]

Email: [Inset Email]

Telephone: [XXX-XXX-XXXX]

APPENDIX 2: LENDING POLICIES**Lending Circles****Purpose**

“To provide for the incubation of microbusiness which are community controlled and responsive, while providing for additional training and understanding of financial management and responsibility”.

Maximum Loan: Percent Financed: Term: Amortization: Interest Rate (Compounded monthly) Prime: Prime: Prime: Prime: Prime: Repayment:	\$4,000 80% 1 year 6 years Year 1: 0% Year 2: 25% of BMO Year 3: 50% of BMO Year 4: 75% of BMO Year 5: 100% of BMO Year 1: Optional plus negotiate for timely liquidation.
Security Required: BCR for CFDC of CIFN to do business on reserve (if applicable). Promissory Note Lending Agreement Pre-Authorized debit system. Understanding: Establish a bank account Maintain an accounting/bookkeeping system; and Responsible for collection and reporting to CFDC of CIFN	

Direct Loans**Purpose**

“To assist with the establishment of an Indigenous business”.

Maximum Loan: Percent Financed: Term: Amortization: Interest Rate (compounded monthly) Repayment:	Depends on type, up to limit of \$125,000 90% 1 year 5 years 12% Negotiable
Security Required: BCR for CFDC of CIFN to do business on reserve (if applicable). Promissory Note	

<p>Lending Agreement Life Insurance Guarantor Pre-Authorized debit system General Security Agreement (may be waived)</p> <p>Understanding: Maintain an accounting/bookkeeping system Provide financial records, statements, and monthly reports; responsible for collection and reporting to CFDC of CIFN No capital expenditure, withdrawals, or unusual expenses without our consent; Other specific requirement to properly monitor business eligibility and viability. Willing to work with CFDC of CIFN staff to enhance skills ie. Workshops, training, etc.</p>
--

Loan Guarantees

Purpose

“To assist with the establishment of Indigenous business”.

<p>Maximum Loan: Percent Financed: Term:/Maturity Guarantee Fee</p>	<p>\$125,000 90% 1 year 5% of Guarantee Issued</p>
<p>Security Required: BCR for CFDC of CIFN to do business on reserve (if required) Indemnity Agreement. Life Insurance; Guarantor. Pre-authorized debit system; and General Security Agreement (may be waived).</p> <p>Understanding: Maintain an accounting/bookkeeping system. Provide financial records, statements, and monthly reports. No capital expenditure, withdrawals, or unusual expenses without our consent; and Other specific requirement to properly monitor business eligibility and viability. Work with CFDC of CIFN staff to enhance skills i.e.. Workshops, training, etc.</p>	

APPENDIX 3: CFDC of CIFN LOAN PROCEDURES

Client Meeting

- (1) Conduct an initial interview with the applicant.
- (2) Complete and obtain a detailed, signed, and personal:
 - (a) financial statement;
 - (b) business plan;
 - (c) projection of revenues for at least one year; and
 - (d) projection of expenses for at least one year.
- (3) Communicate CFDC of CIFN's needs and policy to the client.

Client Intake

- (1) A personal net worth statement will be obtained from the client and used to gather information to begin the loan application.
- (2) Loan number. Loan numbers can be manually entered by the user, or automatically generated by Fassbank or Fern. Most of the time loan numbers are entered manually. Fassbank or Fern can auto-generate loan numbers by going to Settings > Loans > Numbering. For manual loan numbers, simply click into the field and type in the loan number. Loan numbers may be a mix of characters, numbers, and symbols.

For example:

1234 – ELP (Emergency Loan Program)
1235 – EELP (Expanded Emergency Loan Program)
1236 – GLP (General Loan Program)

- (3) Create file folders.
- (4) Next steps and recommendations will be given to client.

Loan Application Process

Assessment and Evaluation of Applicants

Ask yourself the following in assessing an individual applying for a loan:

- (1) Is the applicant capable of successful operation of this venture?
Consider:
 - (a) work experience;

- (b) previous training;
 - (c) age and health;
 - (d) initiative and ambition;
 - (e) industry; and
 - (f) management of personal affairs.
- (2) Where the applicant's experience and capability appear to be less than adequate, has provision been made to supply assistance on a continuing basis?
- Consider:
- (a) technical knowledge;
 - (b) business management;
 - (c) bookkeeping and accounting;
 - (d) auditing and financial advice;
 - (e) legal counsel;
 - (f) marketing and sales promotion; and
 - (g) willingness to work with CFDC of CIFN staff.
- (3) If the applicant has debts now, what are the repayment terms?
- Is the applicant presently:
- (a) a guarantor;
 - (b) a co-signer; or
 - (c) an endorser of anyone's debts.
- If so, will this effect this business proposal?
- (4) Does the applicant have any other business interest or connections? If so, will this assist them in their business venture?
- (5) Has the applicant ever declared bankruptcy? Are they under financial administration or debt counselling?
- (6) Does the applicant have any legal proceedings or lawsuit(s) presently outstanding against them?
- (7) An assessment of the applicant's character and credit risk involved in giving financial assistance should be conducted using the criteria described in (1) – (6). This assessment should be created and placed in the applicant's file to help guide in the final decision on the applicant.
- (8) A Credit Bureau report from Equifax should be obtained. The details in the Equifax report should be compared to the declared liabilities from the applicant. Any variances should be investigated and confirmed. If there are material differences between the Equifax report and what has been declared, consider whether the applicant is deliberately being deceptive

or if there are other circumstances.

- (9) It is required by law for a lender to obtain the applicant's approval by way of a signature prior to verification of credit.

Character and Credit Rating

- (1) The three "C's" of credit are:
 - (a) Character: The applicant's character or integrity will generally provide a guide to their future performance.
 - (b) Capacity: The applicant's capacity or ability to manage successfully and repay the loan.
 - (c) Capital: Without character and capacity the capital does not, of itself, ensure success.

Character References

- (1) Potential character reference sources for a client are:
 - (a) their band or association affiliations;
 - (b) their past and present employers; and
 - (c) other local agencies who regularly deal with Ingenious peoples.
- (2) The applicant should present references at the time they make their application.
- (3) A character reference should not be from persons with a specific interest in the project for which assistance is being sought. Character references should ideally be from persons who know the applicant well and who occupy a position of trust in the community such as band leaders, bankers, or former employers.
- (4) Character references from small, non-public companies should be identified and investigated.

Sources of Credit Ratings

- (1) Equifax Canada Inc. provides a credit rating on individuals.
- (2) Individuals or businesses that have previously engaged in lending with the applicant.
- (3) Major suppliers in situations where the applicant has been involved in business.

Financial and Risk Management

Business Feasibility and Viability

- (1) In assessing a business proposal, remember that the purpose is to aid in obtaining financing and meet the goals of establishing a successful and viable business enterprise.

- (2) There are three key questions an assessment must answer to form an accurate opinion on the viability of a business.
 - (a) Can the applicant plan, develop, and economically operate the proposed business?
 - (b) Does the proposal indicate that the business can generate enough funds to repay the loan, provide a reasonable return on money invested, and provide the owner sufficient monetary benefits to make the venture worthwhile?
 - (c) Is the applicant willing work with CFDC of CIFN and other potential resources cooperatively?
- (3) Keep in mind that establishing criteria and procedures to assess the applicant's ability and the viability of their proposal is not easy. This process is a question of personal judgement. The assessment must consider all information necessary to form an opinion and recommendations. Being thorough in collecting applicant information can aide this process.
- (4) A business plan is viable if it can:
 - (a) meet its liabilities as they become due; and
 - (b) when cash receipts cover expenses including interest on capital risk and taxes.
- (5) Other factors of a viable business plan.
 - (a) Wages and salaries are at reasonable rates for all persons who contribute, including proprietors.
 - (b) The business plan provides for an excess in funds to allow the enterprise to take advantage of opportunities for growth.
 - (c) The business plan accounts for emergency situations or uncertainties during business.
 - (d) The business plan accounts to fix and repair assets such as equipment.
 - (e) If the business plan accounts for making payments to the term loan principal.
 - (f) If the business plan provides a return to the owners or proprietor on their investment.
- (6) Where a proposed business plan does not meet the formal criteria outlined above, consideration should be given to the use of grants to assist in the initial capitalization and extra costs associated with start-up of operations. Such consideration is made to ensure ultimate viability of the business proposal.

Equity

- (1) The following may be considered as equity for the purposes of determining eligibility of direct loans and direct loan guarantees:
 - (a) cash or equivalent liquid assets, including common stock or bonds;
 - (b) equity in land and real estate, verified upon appraisal;
 - (c) appraised value of land held on certificate of possession;
 - (d) verifiable equity in unencumbered equipment; and

- (e) letters of commitment from agencies that provide equity contributions to Indigenous businesses.
- (2) The preferred amount of equity to render an applicant eligible for a loan is 10% of total the project costs.
- (3) In some instances, sweat equity may be assigned a value in the source and use of funds in the business plan to satisfy other equity and loan capital requirements.

Other Revenue Sources

- (1) The General Manager will review other sources of revenue considering a client's capacity, capability, and conditions.

Economic Environment

- (1) A substantial amount of the risk associated loans are the broad economic forces which individuals and businesses have little control over. To perform a reasonable risk assessment, CFDC of CIFN must be aware of the current economic environment and the probable impact of economic conditions on a client.
- (2) CFDC of CIFN will continually monitor the economic environment by paying attention to the economic factors that are most likely to affect the institution's portfolio of clients.

Community and Business Environment

- (1) A borrower's financial performance depends on the general conditions in its industry, community, and marketplace as well as how effectively the company meets competition.
- (2) An industry or community analysis is a critical component in a lender's assessment of the risks facing the client and CFDC of CIFN if a loan is approved.
- (3) Understanding the risks and opportunities for the community or the major industry sectors in CFDC of CIFN's trading area is essential in effectively managing the overall loan portfolio.

Legislative Issues

- (1) Through legislation, governments can make an immediate impact on creditor's risk, business operation and loan portfolios. CFDC of CIFN must be alert when learning and interpreting new laws and legislative amendments.

Interest Rate

- (1) Establishing an interest rate for clients is an important decision to sustain the investment fund.
- (2) The interest rate set by CFDC of CIFN must be competitive with the rates offered in the marketplace while providing a return that is reasonable considering:

- (a) costs of administration;
- (b) costs of funds;
- (c) costs of servicing the account; and
- (d) loan risk assumed.

Terms of Financing

- (1) In recommending loan terms, the CFDC of CIFN must consider the following:
 - (a) at minimum, a borrower must make payments on the principal amount once a month;
 - (b) how interest rates will be set;
 - (c) working capital loans may be subject to a one-year term or less at which time they will be reviewed;
 - (d) loan terms should be set for the shortest term possible without creating undue hardship on the business;
 - (e) the loan repayment period should not exceed the estimated lifetime of the assets being purchased with the loan proceeds;
 - (f) the first repayment date will normally be within 30 days of the date the loan is granted: and
 - (g) interest-only payments may be permitted a maximum of 4 times per year and at the discretion of CFDC of CIFN.

Covenants and Understanding

Conditions

- (1) Conditions will be included in the commitment letter, and with consideration of the following:
 - (a) the security presently held by creditors;
 - (b) the effect of the security on future borrowing;
 - (c) maximum protection for CFDC of CIFN and the applicant; and
 - (d) the time required to complete the security to allow for disbursement.

Restrictive Covenants

- (1) Restrictive covenants include:
 - (a) limits on future borrowing;
 - (b) limits on future capital expenditures;
 - (c) prohibition of dividends or repayment of owners' capital; and
 - (d) accurate and timely financial information.

Other Conditions and Terms

- (1) Other loan conditions should include:

- (a) disbursement of funds;
- (b) purposes for which funds are advanced;
- (c) time limit imposed to accept an offer;
- (d) permission to access the books and accounts of the borrower when considered reasonable;
- (e) repayment terms;
- (f) interest rate;
- (g) borrower's duty to provide regular financial statements;
- (h) borrower's pledge to insure their business and proof of same prior to disbursement;
- (i) provision of incorporation documents (if applicable);
- (j) provision of director's borrowing resolution (if applicable);
- (k) evidence of ownership of, inventory, land, machinery, equipment, and vehicles (whichever apply);
- (l) manner of loan payment; and
- (m) proof of Indigenous ancestry as approved by the CFDC of CIFN unless a specific type is required.

Sample Loan Application Format

Note to Reader: This sample loan application procedure will be set by the General Manager and is subject to change. As such, the application format may change from time to time.

Community Futures Development Corporation of the Central Interior First Nations Loan

Application

Borrower Profile:

See section 5.3.1 titled 'Assessment and Evaluation of Applicants' for more details.

- (1) A borrower's profile should typically include:
 - (a) a general profile (i.e., name, age, etc.);
 - (b) a personal life; and
 - (c) any professional experiences.

Business Profile:

- (1) A business profile should typically include a detailed analysis of:
 - (a) The business concepts;
 - (b) any benefits associated with the industry, economy, etc.; and
 - (c) any risks associated with the industry, economy, etc.

Purpose:

Describe the project and identify the sources and uses of funds using the chart below:

Sources		Uses	
CFDC of CIFN Loan	\$		
Total		Total	

Loan Details:

Loan Amount: \$_____.

Interest Rate: Compounded monthly at ____%.*

Amortization: _____months/years.

Repayment: Monthly blended principal and interest payments of \$_____ over _____months/years.

Prepayment: The Borrower shall have the privilege of paying the whole amount owing, or any part hereof, without penalty.

Interest only payments: Four per year, at the discretion of CFDC OF CIFN.

Interest refund: The Borrower may qualify for a refund of ____%* of the interest paid on the proposed loan, provided that the various terms and conditions are met. This determination will be made at the sole discretion of CFDC of CIFN as of the anniversary date of the Promissory Note representing the debt. In the event the Borrower qualifies, the amount calculated will be credited by CFDC of CIFN as a principal reduction to the amount then owing

Fees:

Application fee: \$_____.

Legal Fees \$_____.

Total Fees \$_____.

* The interest rate value will be set at the discretion of CFD of CIFN and will need to be confirmed.

* The refund amount value will be set at the discretion of CFD of CIFN and will need to be confirmed.

Disbursement of Funds:

Enclose the full disbursement amount upon completion of conditions precedent.

Corporation Balance Sheet:

Attach the balance sheet prepared by an accountant if available.

Assets			Liabilities	
			Retained Earnings	
			Total Liabilities:	
Total Assets:			Net Worth:	

Personal Net Worth Statement:

Assets			Liabilities	
Business Equity				
Personal Income				
CPP				
Total Assets:			Total Liabilities:	
			Total Personal Net Worth:	

Credit Investigations:

Enclose copies of any credit investigations.

References:

Enclose copies of any references the lender may produce.

Reporting Requirements:

- (1) Annual financial statements are to be provided to CDC of CIFN within 90 days of fiscal year end.
- (2) Any changes in location or company structure are to be reported to CFDC of CIFN.
- (3) (Optional) The client will agree to provide quarterly financial statements to CFDC of CIFN, which includes bank statements, bank reconciliation, and revenue and expense statements.

Conditions Precedent:

***Include/exclude as necessary*

- (1) Copy of driver's license and status card for [full name of borrower].
- (2) Letter of Undertaking signed by [full name of borrower] acknowledging that this proposed loan is not insured by life insurance.
- (3) Letter of Undertaking signed by [full name of borrower] agreeing not to incur any further monthly installment debt while CFDC of CIFN loan is outstanding.
- (4) Copy of Income Tax assessment – Current Year
- (5) Copy of Certificate of Possession.
- (6) Copy of Bank Statement (volunteered by client).
- (7) Copy of Bill of Sale.
- (8) Void cheque of financial institution.
- (9) Copy of ICBC registration of the vehicle used for security.

Covenants:

***Include/exclude as necessary*

- (1) Pre-Authorized Debit to be implemented.
- (2) The borrower will not, without the prior consent of CFDC of CIFN, make or commit to make capital purchases or leases more than \$5,000 in any fiscal period.
- (3) The borrower will not incur further indebtedness, other than trade transactions in the normal course of business, without the prior written consent of CFDC of CIFN.
- (4) The borrower will not declare or pay dividends, management bonuses or management salaries, in excess of normal annual management salaries of \$18,000 without the prior

written consent of CFDC of CIFN.

- (5) The borrower will not make or repay loans to shareholders or related or affiliated entities, without the prior written consent of CFDC of CIFN.
- (6) The borrower will not invest in or make loans to any other entity, without the prior written consent of CFDC of CIFN.
- (7) The borrower will give CFDC of CIFN prompt notice of any known event of default or any known event, which, without notice or lapse of time or other, would constitute an event of default.
- (8) No security will be granted by the borrower, to other creditors, and/or affiliated companies or entities without CFDC of CIFN's prior consent.
- (9) The borrower shall co-operate fully with the direction and supervision of the CFDC of CIFN Business Development Officer and the CFDC of CIFN.

Account Strategy:

- (1) Monthly monitoring by the Business Development Officer to ensure the account is in good standing.
- (2) Provide assistance and advice as necessary.
- (3) Quarterly management financial statements are to be provided.

Financial Commentary:

- (1) Balance sheet and Income Statement for up to December current year
- (2) Projections: We have been provided with an acceptable business plan and a revenue/expense projection which demonstrates the potential to realize revenues, plus expenses.

Security Evaluation:

List security.

Strengths:

List strengths.

Weaknesses:

List weaknesses.

Risk Assessment:

Choose one of High/Medium/Low.

Employment:

Maintained: F/T ** P/T **
Created: F/T ** P/T **
Seasonal: n/a

Conclusion:

Outline why this loan is recommended.

We recommend,

Business Development Manager

General Manager

ATTACHMENTS:

Risk Assessment Summary Attached
Collateral Security Panel Attached

OTHER DOCUMENTS EXAMINED:

Equifax credit check Attached
Credit check verification Examined
Personal Financial Net worth statement Examined
Letter of reference (owner(s)/operator(s)/key personnel) Examined
Pro-forma statements including Revenue and Expense statements. Attached

Gross Debt Service (GDS) Ratio is:	
(28% is acceptable)	

Total Debt Service (TDS) Ratio is:	
(38% is acceptable)	

Collateral Security/Documentation

Y/N	SECURITY DESCRIPTION	EMV	Margin	Value	Priors	NLV
	TOTAL HARD & SOFT SECURITY					

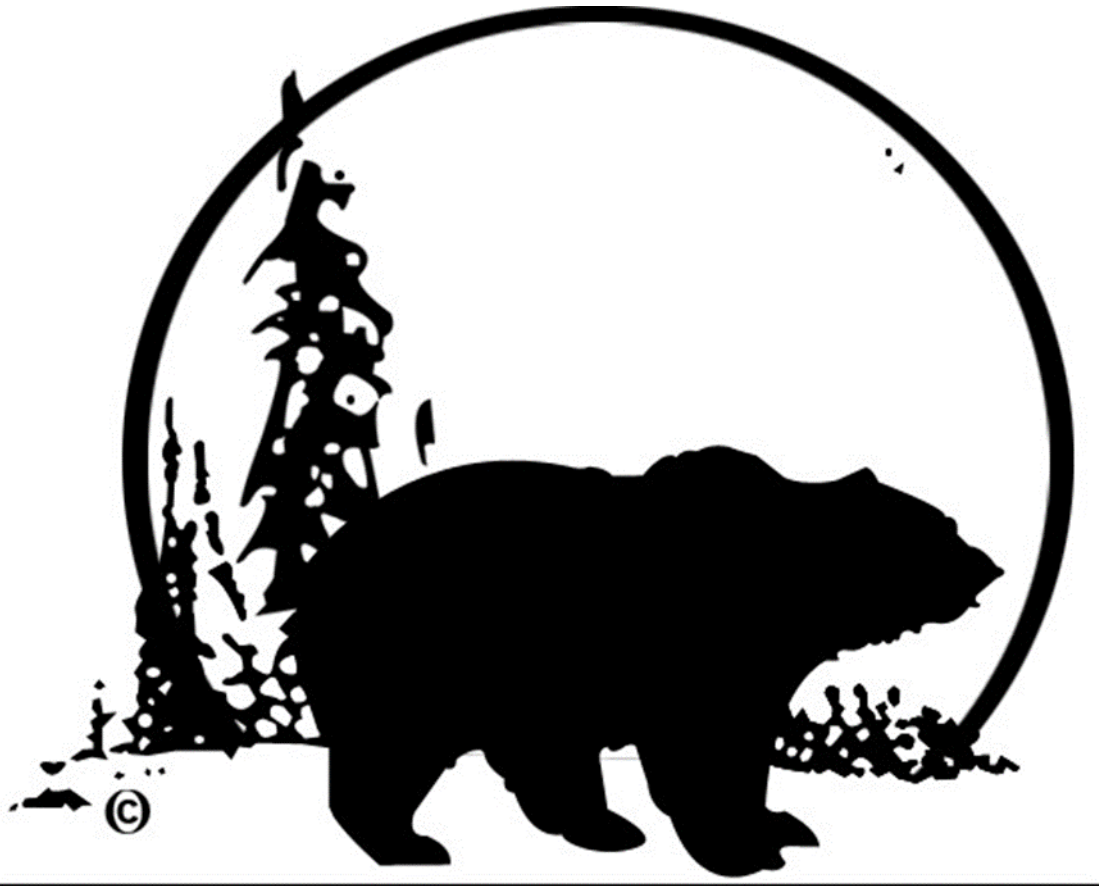
Sample Loan Checklist

Loan Processing Checklist

Name:	Date:	
Loan number:	Loan amount: \$	
	Date	Comments
Application:		
1. Client meeting, signed PFS		
2. Equifax		
3. Prepare application		
4. Signed Board approval		
5. Commitment Letter		
6. Promissory Note		
7. Letter of Undertaking		
Security:		
8. General Security Agreement		
9. GSA Schedule A (complete)		
10. Send request to register General Financing Statement to Fulton		
a. Attach necessary documentation		
11. Pay Fulton & Company for GSA Reg		
12. Creditors Life Insurance (applying / N/A)		
13. Enter GSA/Fire/Insurance into Diary System		
Loan Processing:		
14. Pre-Authorized Debit Form		
15. Diarize Anniversary Date		
16. Loan entered DEFT system		
17. Loan entered FERN system		

18. Application fee \$		
19. Legal fee \$		
20. Print loan amortization schedule		
21. Copy of Status confirmation & Driver's License		
22. BCR (for access)		
23. Direction to Pay & photocopy of cheque		
24. Copy of documentation for client		
25. Client Equity/Employment entered to FERN		
26. NRT Checklist		
27. Copy of Historical Financial Statements		
28. Copy of Tax Assessments		

APPENDIX 4: COMPANION OPERATIONAL GUIDE



Community Futures Development Corporation of Central Interior First Nations

This Operational Guide is approved by the General Manager and is subject to change.

Job Descriptions

The following positions are under the General Manager's discretion and may include the following:

Business Analyst - Loans

The purpose of the Business Analyst - Loans (BA-L) is to manage and develop a group of assigned borrowers in the CFDC of CIFN. The BA-L reports directly to the Administration Manager of CFDC of CIFN. While focusing on lending activities, reporting and collections of the organization, the BA-L is responsible for the daily input of computer entries for the accounting and loan programs.

The BA-L is the primary point of contact for all borrowing and loan accounting activities. It is the BA-L's duty to perform this function while simultaneously representing the CFDC of CIFN offices in a positive, professional, and business-forward manner.

The BA-L will oversee all lending activities for the purpose of ensuring that the risk management of lending activities are being monitored appropriately, new business is supported, and ensuring that secure and sound transactions are being collected and entered.

Loans Clerk

The Loans Clerk is a support position to the Business Analyst – Loans and takes day to day task direction from the Administrative Manager. The Loans Clerk is responsible for supporting the loans application verification process and carrying out clerical, and administrative responsibilities while simultaneously representing the CFDC of CIFN business and support function.

The Loans Clerk is a key point of contact to ensure all loans and financial application information is accurate and complete. The Loans Clerk position ensures that the CFDC of CIFN are represented professionally and in a business focused manner.

Client Management Practice

Scenario

An individual unknown to CFDC of CIFN calls looking for information about a program. The individual who answers the call will take the caller's contact information and offer a reply to the inquiry within a pre-determined amount of time (two business days is the recommended maximum).

Best Practice

- (1) The individual who answers the phone will enter the information in Fern immediately by completing the following tasks:
 - (a) Open a new 'General Inquiry,' click on 'Participant Name' and an 'Add Participant' box pops up. Type the name. Because they are a new client and do not exist in the database, click the '+' symbol to the right of their name; this enables the name to be added as a 'Participant' to the general inquiry. From here, select the Format, Program, Date, Duration, Analyst, Subject and Notes for the general inquiry.

- (b) Once the contact inquiry has been saved, another window will appear indicating they have been added as a 'New Person.' More detailed contact information can be entered to their 'Person' tab. There are 7 tabs down the side of this section, Contact, Relationships, Demographics, Interactions, Notes and Attachments and each can be filled with as much or as little information as has been gathered.
 - (c) In the 'Interaction' tab, Activities, General Enquiries and Tasks can be added for that specific client. Set a Task for the analyst to follow up with the prospect at a future date.
- (2) Adding the task to the new prospect will now show there are two 'Interactions' with this individual.

Reporting Captures

- (1) Programs currently entered to Fern include entrepreneurship, lending, trading, and technical assistance.
- (2) Activities include correspondence, email, fax, other, phone call, seminar, site visit, social media, test messaging training session, walk-in/meeting, and workshop.
- (3) Ensure outcomes objectives for the activities are set.
- (4) For accurate general inquiry keep track of when Individuals call into the office.

Business Management Practice

Begin by inputting prospects and clients into the database to track metrics. Make sure to proceed to track loan applications from pre-application status (PacifiCan Reporting).

Scenario

The individual has called back and wants to discuss next steps toward a business loan. The Analyst has a conversation and wants to record the activity.

Best Practice

- (1) Open the 'Person' tab and begin typing a business name into the 'Business Name' line. Once it's been entered, click the '+' button to have it added as a 'Participant.' Once information has been added to this record and saved, a window will pop up indicating a new business has been added to Fern.
- (2) Once the business is in Fern, information about the business can be entered into the 'Business' tab.
- (3) In the 'Business' tab, choose 'Interactions' from the left-hand side menu and click on 'Activity' to add the conversation. If completed from within the Business tab, the Participants will automatically be included in the Activity. Remember to include a meeting Subject, Format, Program and the 'tick box' indicating whether the meeting was in-depth (i.e. whether confidential information was shared). From there enter Impact (i.e. whether the company is starting, being maintained, or expanding), Category, Start Time, Analyst,

Participants, Comments, and all other pertinent information.

- (4) The 'Referrals' tab can be used for capturing incoming or outgoing referrals.
- (5) The 'Outcomes' tab will capture jobs or leverages.
- (6) The 'Attachments' tab can be used to include information received during the activity (e.g., financial statements, etc.).

Reporting Captures

- (1) Activities include correspondence, email, fax, other, phone call, seminar, site visit, social media, test message training session, walk-in/meeting, and workshop.
- (2) Ensure outcomes objectives for activities are set (jobs and leverages).

Pipeline Reporting

- (1) Inputting all client contact and requests will enable reporting of the organization's pipeline. This includes which clients have been spoken to and what the client is asking for.
- (2) Generate a loan status report by:
 - (a) clicking the three vertical dots at the top right of the Fern home page; and
 - (b) clicking 'Reports', 'Loans', 'Loan Status Report'.

Default setting for Status to Include is 'All', which will enable the reader to review all loan statuses including Application, Committed, Declined, Withdrawn, Closed Deal, Bad Debt, Paid in Full. Statuses can be chosen based on the information needed.

Loan Management Practice

Loan Application – Part I

Review the CFDC of CIFN Loan Checklist 2019. Preparing an application is found at Step 3 of the checklist. (Once Equifax has been connected, credit checks can be completed using Fern as well and process can be added to the steps below).

- (1) Click on the 'Loan Application' tab and select the 'Client' the application will relate to.
- (2) Owners will be populated into the 'Stakeholders' section of the 'Loan Application tab'.
- (3) Choose whether the individual is a primary borrower, a secondary borrower, or a guarantor.
- (4) Enter a loan number (Fern can be set up to auto-populate these).
- (5) Populate, 'Loan Product' (this will determine how interest is calculated on the loan; new products can be inputted by choosing the 'Settings' button in the top right corner of the page) and 'Loan Fund' (identifies where the loan proceeds come from, also edited in

'Settings').

- (6) 'Business Impact' (start up, maintain, expand business), 'Loan Officer' and 'Payment Method' fields all need to be addressed:
 - (a) If 'EFT' is chosen as the payment type, there is the ability to input the client's bank account information (through the Business Record).
 - (b) If it turns out to be a good payment solution, Fern can debit the client's accounts by allowing the user to create EFT files to pull the payments out (CFDC of CIFN already has this set up through BMO and these payments are accounted for manually).
- (7) Save this information (it will now be searchable) and open the loan in a new tab.

Eight Areas of the Loan

The loan is broken down into eight areas (a few are hidden until the loan is disbursed):

- (1) Summary: loan status history is shown. When a loan is disbursed it will provide balances.
- (2) Participants: used to identify borrowers, guarantors, accountants, lawyers or any other parties privy to the loan.
- (3) Calculator: creates amortization schedule based on loan terms such as amortization, interest rates and payment types. Enter the key dates, including:
 - (a) disbursal;
 - (b) initial payment;
 - (c) term date; and
 - (d) skip months (provides ability to skip payments or pay interest only in certain months).

Schedule Scripts: create specific payment types, such as a reduced payment amount at the outset of a loan. Click the 'Generate' button to create an amortization schedule. Once an amortization schedule is created, payments are automatically generated for the loan. Print a copy for the file. If a copy is not generated at this point, the 'Pop Out Schedule' button in the 'Schedules' window will open it in a separate window to allow for saving, emailing and printing.

Review the amortization schedule to ensure payments are accurate, then click the blue 'Add to Schedules' tab in the middle of the page. A pop-up window will appear asking to make the schedule current. Different schedules can be created for various circumstances. The current schedule will be used to populate payments.

- (4) Collateral: use this to track collateral. This includes creating tasks to follow up for expirations.
- (5) Interactions: all interactions relating to the loan.
- (6) Outcomes: jobs created and maintained, and money leveraged.

- (7) Notes: any notes relating to the loan.
- (8) Attachments: upload documents relating to the loan, scans, loan application forms, etc.

Loan Application – Part II

- (1) Add a 'Status' to the loan:
 - (a) 'Application' (allows the user to input an amount); or
 - (b) 'Committed' (loan has been approved);Status will depend on what stage the loan is in.
- (2) Once an Amortization Schedule has been saved and the loan is in 'Committed' status, the loan's initial disbursement can be initiated by pressing the 'Disburse' button in the top right-hand corner. A new window will appear, and changes can be made to the Disbursement Amount and the Date of Disbursement. Enter a cheque number for cross-reference and click 'Disburse'. Going back to the loan record will show the loan has been disbursed (the loan payment schedule is available to view, and the loan status has been automatically updated as Closed Deal).
- (3) 'Projections' tab can be used to create per diem interest amounts in the case of a payout.
- (4) 'Schedule' tab gives a historic perspective of loan transactions, such as disbursement and payments made. Once email is set up, reports and statements can be generated and emailed out from here.
- (5) Activities include correspondence, email, fax, phone calls, seminars, site visits, social media, test messaging training sessions, walk-in/meetings, and workshops.
- (6) Ensure Outcomes objectives for Activities are set (jobs and leverages).

Loan Processing

- (1) Ensure legal and admin fees are entered to Fern as fees and not disbursements.
- (2) Check the amortization schedule. The amortization schedule generates automatic payments for each loan and allows for interest only periods.
- (3) Bring forward amortization schedules to be created for clients whose schedules have expired or who have fallen behind on payments.
 - (a) Open client loan.
 - (b) Click 'Schedules'.
 - (c) Click 'Bring Forward'.
 - (d) Zero out the 'Principal Box' at the top left (this populates if there are undisbursed amounts on the loan).
 - (e) Zero out the 'Amortization' term.
 - (f) Enter the agreed upon payment amount.

- (g) If there are schedule scripts to add, open 'Schedule Scripts' and enter the details for the reduced or increased loan amounts.
 - (h) The interest rate should be brought forward. If the interest rate cannot be brought forward, then enter the interest rate.
 - (i) Check the first payment date (the system will default to present day, and the user must align the first payment date with the payment schedule).
 - (j) Click 'Calculate' and print a copy of the amortization schedule.
 - (k) Click 'Add To Schedules'. A window will pop up asking you to 'Add Current Schedule', click 'Yes'.
- (l) Note: there will be an unprocessed transaction in the 'Summary' window. This is the accrued interest that needs to be posted:
- (i) click on the red text and go to 'Transactions' tab; and
 - (ii) review the transaction and click 'Post'.

(4) Payment amounts are automatically generated from the amortization schedule.

Processing Payments

- (1) 'Transactions' tab allows for the payments to be bulk reviewed and processed instead of manually entry.
- (2) Open the 'Transactions' tab. The Effective Sweep Date will generate expected payments from the last payment sweep to the current day. The transactions generated from the amortization schedules from clients will appear in this window. Highlight the transaction, review it at the bottom of the page, and then move on to the next transaction for review. Once payments are reviewed, ensure a checkmark in the post box, or ensure the box is left unchecked if the payment has not been received. Click the green 'Post' button in the top right-hand corner of the screen. Fern will post all payments that have been reviewed and marked for posting.
- (3) Manual Payments can be posted from either the client loan or the Transaction window by clicking the 'Add Manual Payment' button and completing all fields. Payments should be processed from the Transaction window using a Payment Sweep as the amortization schedule will pick up any payment amounts (this method can be used for one-off payment processing when necessary).

Collections

- (1) See CFDC of CIFN Collections Manual 2019 in Appendix 1 for specific procedures.
- (2) Fassbank allows all communication to be captured. It is important to document everything. Fern includes guidance about performing and non-performing loans and reporting same.

Loan Write Off Procedure

- (1) Review the Collection Manual for the entire process. A loan write off can be completed in one of two ways.
 - (a) Search for the loan in Fern, open the 'Statement' tab, click 'Transactions', click 'Write off/Doubtful'.
 - (b) Navigate to the 'Write Off' tab on the Fern home screen and enter the loan number.
- (2) Click the drop-down menu under the loan number for three choices about how to write the loan off.
 - (a) 'Regular Write Off' will write off both the principal and interest.
 - (b) 'Discard Interest' will only write off the principle. Keep in mind that it does not make sense to write off interest when you are not likely to recover it in the first place. This is the most used process when a loan has been written off.
 - (c) Doubtful – A Loan that is non-compliant and is flagged as doubtful to collect either principal or interest.

Fassbank Utility

- (1) Email: used to email loan statements from Fern to clients. Check organization settings in Fern to ensure SMTP Server (smtp.office365.com) and SMTP Port (587) information correct. Go to 'Permissions', then 'Users'. Ensure the user's information has been inputted by confirming the user's email address and password are correct. Send a "test email" to someone within the organization to ensure the statement is being properly sent. Emails sent from Fern will automatically generate an activity. Enter more information and click '**Save**' in the top right corner.
- (2) Equifax: ensure this is set up in Fassbank for proper reporting
- (3) Export to ACCPAC/QuickBooks – ensure contracted accountant works with CFDCofCIFN administration to upload into Fassbank

**APPENDIX 5: PACIFIC ECONOMIC DIVERSIFICATION PERFORMANCE REPORT
GENERATION MANUAL**

Refer to approved 5-year contract with PacifiCan for performance reporting and operating guidelines.