

NIPISSING FIRST NATION SMALL BUSINESS LOAN POLICY

Program Description and Purpose

The Small Business Loan Program is administered by Nipissing First Nation (“NFN”). These guidelines as set forth in the following policy provide the eligibility criteria, program design, rules and policies, which govern the Small Business Loan Program.

The purpose of this program is to assist NFN members in creating new small businesses and expanding existing businesses by providing a source of financing which has greater flexibility in regards to repayment schedules and security as compared to lending institutions. The funds will be used to encourage NFN members to become self-employed; to develop home-based businesses; to help entrepreneurs build equity and gain experience; to support businesses that generally have difficulty attracting financing due to the amount of equity invested, the type of security offered, or the sophistication of the business practices.

1- Eligibility

To be considered for funds under this program the applicant must as a minimum:

- a) be a member of Nipissing First Nation;
- b) have no outstanding arrears on debts with Nipissing First Nation;
- c) have been denied credit or not provided with sufficient credit for the proposed business by at least one (1) financial institution;
- d) must demonstrate an equity investment in the proposed business;
- e) demonstrated ability to repay the loaned funds.

2- Application Process

The application process for this program requires three-steps:

- 1) Applicants must provide the NFN Loan Committee with a letter of intent which as a minimum sets out the following:
 - a) that they meet the minimum eligibility requirements for the program above;
 - b) provide a description of the proposed new or expanded business.
- 2) If the proposal is recommended for acceptance by the Loan Committee, formal approval is then requested from NFN Chief and Council.

3- Eligible Use of Funds

The Loan Committee shall have the discretion to determine eligible uses of funds provided under this program. Priority will be given to applications that involve a request for funds to leverage additional funds from other sources.

Funds shall not be provided as a line of credit, or as a grant or forgivable loan. Funds will not be loaned where there is no reasonable expectation that the proposed business will be viable and self-sustaining.

4- Maximum Funds

The total maximum amount of funds available under this program to any successful applicant may not exceed \$15,000.00 at any one time.

5- Types of Financing Available

Financing for commercial business purposes may at the discretion of the Loan Committee be available in the following categories:

- (a) short and medium term loans;
- (b) long-term loans secured by equitable assets.
- (c) loan guarantees;
- (d) bridge financing;
- (e) young entrepreneurs (Summer Businesses);
- (f) business start-up (Seasonal Businesses) 12 Month Term.

6- Terms of Financing

The Loan Committee shall have the discretion to determine the terms of financing for loaned funds. The following criteria may be used as a guideline:

- (a) the date for first payment of principal and interest will generally commence 30 days from the date of disbursement;
- (b) borrower must make payments on principal and interest, at least monthly;
- (c) all loans must have regular payment intervals;
- (d) long-term loans should be restricted to the purchase of land, buildings and large equipment;
- (e) the minimum rate of interest will be Bank of Canada Prime + 2% simple interest, based on risk assessment;
- (f) loan guarantees shall be supported by security.

7- Loan Security

The Loan Committee will secure each loan in a commercially responsible manner. Such security may include, but not limited to, mortgages, chattel mortgages, debentures, assignment of insurance, general security agreements, and personal guarantees.

8- Other Conditions

The Loan Committee shall have the discretion to determine any conditions to the loans. The following conditions may be used as a guideline:

- (a) time-limits on acceptance of offer of financing;
- (b) disbursements of funds by borrower;
- (c) specific purposes for which funds are advanced;
- (d) permissions for NFN to have access to the accounting records and books of the borrower;
- (e) a provision for the borrower to provide NFN with regular financial statements not less than annually if requested by the Loan Committee;
- (f) annual financial statements submitted within 120 days of the client's fiscal year end.
- (g) review of the borrower's financial statements within 150 days of his/her fiscal year end;
- (h) an assignment of life insurance if the borrower is a sole proprietorship;
- (i) the right to enter the borrower's place of business at their discretion;
- (j) an administration fee on approved loans;

- (k) security registration fees including legal fees as the responsibility of the borrower;
- (l) Other conditions as the Loan Committee deems appropriate.

9- Loan Term Length

The maximum term length of a loan shall be 5 years. The term length of any loan should not exceed the estimated life-time of any assets held as security. The following are recommended term length guidelines for loans involving specific items:

- a) Real Estate may be amortization for a maximum of 15 years and a maximum loan term of 5 years;
- b) Moveable Equipment that is new shall have a loan term of 3 to 5 years and for the purchase of used equipment 2 years;
- c) Fixed Equipment that is new shall have a loan term of 5 years and used equipment shall have a maximum loan term of 4 years.

10- Loan Committee

The authority to implement this policy rests with the Loan Committee. The Loan Committee members will be appointed by NFN Council. All Loan Committee meetings require a minimum of three members to be duly convened. The quorum for all meeting shall require at least 50% of the members of the committee. A simple majority of members present will carry decisions of the committee at a meeting duly convened.

11- Economic Development Officer

In regards to this program the Economic Development Officer is to:

- 1) Provide potential applicants with information required to access this program;
- 2) Conduct the initial assessment of application under the program;
- 3) Act as secretariat to the Loan Committee;
- 4) Assist with implementing the terms of approved loans;
- 5) Conduct searches for Credit Bureau and *Personal Property Security Act* (PPSA);
- 6) Registration of all security documents;
- 7) When requested, assist the applicant with applying for other sources of financing:
 - a. Banks, credit unions, mortgage companies;
 - b. Business Development Bank of Canada (BDC) for loans related to land, buildings or equipment;
 - c. Federal and provincial development corporations for grants or loans (i.e. for small manufacturing, high technology, tourism oriented business proposals, etc.);
 - d. Farm Credit for agricultural business proposals;
 - e. Canadian Youth Business Foundation;

- f. Northern Ontario Heritage Fund Corporation;
- g. Aboriginal Affairs and Northern Development- ABC.

12- **Confidentiality**

All information acquired relating to the application for funds under this program **shall be confidential and shall not be released** to any third party without the prior consent of its owner.

13- **Appeal Process**

Should the applicant's proposal for financial assistance be declined by the Loan Committee, the applicant shall have the option of appealing the decision to the Loan Committee and the NFN. If the application appeal is subsequently declined the applicant shall have no further recourse to appeal.

Approved by Council this 3rd of July, 2012.

Amended and approved this 6th day of October, 2020.