

Tips to help you secure EDC financing: Canada Emergency Business Account (CEBA) and Business Credit Availability Program (BCAP) Guarantee

Your gateway to this funding is your bank manager or other bank representative.

Two new initiatives by Export Development Canada (EDC) have been announced to assist small and medium-sized businesses to mitigate financial hardship caused by COVID-19.

The first of these initiatives, the **Canada Emergency Business Account (CEBA)**, will be open to eligible organizations including small businesses and not-for-profit organizations. Through this program, Canada's financial institutions will be providing emergency liquidity support to micro- and small-sized businesses affected by COVID-19. Businesses can access loans of up to \$40,000 to cover non-deferrable costs such as payroll, rent, insurance and utilities. The loans will be interest-free, and applicants who pay back the loan by December 31, 2022 can have up to 25 per cent of their loan forgiven, up to \$10,000.

The second initiative is a collaborative effort between EDC and financial institutions. Through the **Business Credit Availability Program (BCAP)**, EDC will guarantee new operating credit and cash-flow term loans that financial institutions extend to small and medium-sized enterprises, up to \$6.25 million. The program cap for this guarantee will be a total of \$20 billion for the export sector as well domestic companies.

For more information, see:

- <https://www.edc.ca/en/about-us/newsroom/edc-coronavirus-domestic-support.html>
- <https://www.canada.ca/en/department-finance/news/2020/03/additional-support-for-canadian-businesses-from-the-economic-impact-of-covid-19.html>

How to qualify

1. The CEBA program is available to organizations who can demonstrate their total payroll in 2019 to be between \$50,000 and \$1 million.
2. Both the CEBA and BCAP programs are open to small and medium-sized businesses, regardless of exporter status.



3. Funds available from a BCAP-guaranteed bank loan must be used by your company only for liquidity needs created by the COVID-19 crisis. One example of this would include to pay interest on other loans in the event of a decrease in liquidity due to COVID-19.

How to apply

4. Book your appointment with your bank manager or loan officer.
5. Ahead of and at the meeting:
 - a. Prepare and provide a copy of your business plan.
 - b. Prepare and provide a brief statement about your business, its success and potential for growth if not covered in your business plan or if your business plan is not available.
 - c. For helpful tools and templates, see: <https://www.bdc.ca/en/articles-tools/entrepreneur-toolkit/templates-business-guides/pages/business-plan-template.aspx>
 - d. Provide your 2018 and 2019 financial statements, as well as the first quarter of 2020.
 - e. Prepare and provide a brief statement regarding the negative impacts of COVID-19 on your company's liquidity.
 - f. Understand and be clear about:
 - i. What is the value of the loan you are seeking?
 - ii. How long will you need the loan?
 - iii. What repayment terms are you looking for?
6. Be prepared to complete the usual loan application and other bank documents. Remember, the bank will want to review your financial and other information.
7. Do you have or are you willing to provide any collateral? If so, bring any supporting documents with you.



8. It should be noted that not all banks are rolling out their BCAP loan programs at the same rate. It is expected that some will be prepared to extend BCAP loans sooner than others.

Understanding the loan process

9. While different banks have different approaches, your bank will likely evaluate your firm's financial strength. They may consider your "current ratio", "gross margin" and "net income" to assess your ability to pay back the loan. These terms are defined as:
 - a. Current Ratio = Current Liabilities/Current Assets
 - b. Gross Margin = Net Sales – Cost of Goods Sold
 - c. Net Income = Total Revenues – Total Expenses

If you are not sure what these are or how to calculate them, ask your banker to walk through these formulas with you.

10. Test your financial literacy here: <https://itools-ioutils.fcac-acfc.gc.ca/FLSAT-OAELF/star-comm-eng.aspx>
11. Know your credit score, which will determine in part how the bank perceives you as a credit risk: <https://www.canada.ca/en/financial-consumer-agency/services/credit-reports-score/order-credit-report.html>

Other EDC and government programs

12. You may speak to an EDC representative and/or your bank to determine whether you qualify for other EDC programs. Examples may include letter of credit guarantees, surety guarantees or direct loans.
13. There may also be other government programs available to you and you should monitor media releases and government websites to make sure you remain current in these turbulent times.

If you have any questions or comments, please contact our vice-president of public affairs, Rodrigue Gilbert, at rgilbert@cca-acc.com, or 613-236-9455, ext. 432.