

Harvester Enterprise Loan Program

GENERAL APPLICANT GUIDE

This guide is intended to assist applicants in developing an application to the Harvester Enterprise Loan Program (the “Program”). Information provided by applicants is required by the Department of Jobs, Growth and Rural Development (the “Department”) to evaluate your project. Information required may vary depending on the need and complexity of the project. Additional information or clarification may be required from you during the Department’s assessment. Advice and input from other provincial departments will be sought as part of the due diligence process and in determining the merits of your application.

Program Objective

The purpose of the Program is to support the development of the province’s independent fish harvesting industry by making loans offered by financial institutions more accessible and affordable.

The key objectives of the program include:

- Encouraging financial institutions to provide financing options to fish harvesters;
- Making alternative debt options more affordable and accessible for fish harvesters; and
- Decreasing the risk of default for both fish harvesters and financial institutions.

Eligibility

Entities, individuals or groups are eligible to apply. To have a project approved by the Department for purposes of the Program, each applicant must:

1. Be a Canadian citizen/entity and a resident of Newfoundland and Labrador.
2. Be registered as a full time harvester as certified by the Professional Fish Harvesters Certification Board and be eligible to hold a commercial fishing license.

3. Have a favourable credit record and demonstrate commercial viability, including the ability to repay the loan(s).
4. Remain in good standing with both the Government of Newfoundland and Labrador as well as the financial institution.
5. Be deemed eligible for financing from the financial institution.
6. Pledge security deemed sufficient by both the Government of Newfoundland and Labrador and the financial institution.

Applications will be assessed on a first-come, first-serve basis, contingent on the availability of Program funds as well as the demonstrated need of the applicant. Any applicants that apply after all funds allocated for down payment loans and/or interest rebates have been committed will be advised. In this case, eligible loans requested from a financial institution will still be able to receive a deficiency guarantee.

Eligible Projects can include:

- Vessel related items such as construction, purchase and/or refit;
- Combining of Enterprises;
- License Acquisitions; and
- Refinancing of loans currently owed to fish processors or financial institutions for fixed assets and/or license acquisitions and/or acquisition of enterprises.

Only applicants that apply through a financial institution and are approved for a deficiency loan guarantee from the Province will be eligible for the additional down payment loan and/or interest rebate from the Department.

Ineligible Activity

- The purchase of moveable fishing gear;
- Normal vessel maintenance and repairs;
- Vessel construction/upgrades outside the Province;
- Refinancing of debt, excluding debt incurred with fish processors or chartered banks/credit unions; and
- Working capital loans.

Available Financial Assistance

Support provided by the Program includes:

1. Loan guarantees on eligible loans provided from a financial institution to an eligible applicant.
2. Patient low-interest loans for down payments that are required to secure the primary loan from a financial institution; and
3. Cash rebates on a portion of the interest charges paid to a financial institution (Interest Rebate) for the first five years of the primary loan.

1. Loan Guarantee

The Program offers loan guarantees to financial institutions on eligible loans provided to harvesters of up to:

- \$2 million for license acquisition,
- \$3 million for vessel-only related items, and
- \$4 million for combining of enterprises.

Guaranteed loans are negotiated between the harvester and the financial institution, to a maximum of Commercial Bank Prime plus 2 per cent or 2.5 per cent, depending on the term of the loan.

The term of the loan and repayment options are to be determined as negotiated between the harvester and the financial institution, based on the following:

- 20-year term – a maximum of 20 years is provided for vessels, depending on life expectancy, for construction, purchase and upgrades. A maximum of 20 years is also offered for the combined purchase of vessel, equipment and licenses.
- 15-year term – a maximum of 15 years is provided for license acquisition only.
- 12-year term – a maximum of 12 years is provided for the acquisition of used vessels (five years or older) and vessel upgrades
- The term for a refinanced loan may vary depending on amount owed to the original creditor, however, the term may not exceed 15 years for a refinancing of a loan originally received for a license, and may not exceed 20 years related to refinancing for vessel related activity and the combining of enterprises.

- For vessel related loans, the term cannot exceed the life expectancy of the vessel as determined by a certified marine appraiser.

Flexible loan repayment options may be offered by the financial institution, including annual principal payments, assignment of catch and/or a percentage of gross revenue.

Borrowers will also be required to provide adequate security. This may include a promissory note, mortgages or security agreements that capture vessel, equipment and fishing licenses.

2. Down Payment Loan

Effective July 16, 2024, eligible applicants may apply for down payment loans (using the same application that is submitted to the financial institution for the loan guarantee) to assist with their down payments for the same project (i.e. vessel, combining of enterprises, license or refinancing) with the below terms:

- Interest Rate: The Bank of Canada Policy rate at time the application is received by the Department from the financial institution, will be offered to the applicant.
- Financing Amount: 10 to 15 per cent of the eligible project cost may be borrowed from the Department, to a maximum of \$450,000.
- Term of Loan: 10 to 20 years, with no payment or interest accruing for the first five years.
- Security: A corporate guarantee and personal guarantee(s) will be required as security for a down payment loan.

Following approval of the loan application by the financial institution, a Letter of Financing will be issued directly to the successful applicant from the Department. The terms and conditions outlined in the Letter will be additional to any terms and conditions of the financial institution's loan and must be satisfied in full.

To be eligible for a down payment loan, the application must demonstrate the need for this portion of the Program and that the success of the project financing is dependent on it.

The funding for the down payment loan is made available through the Innovation and Business Investment Corporation (IBIC) and delivered through the Department. There is \$10 million available for down payment loans.

3. Interest Rebate

Effective July 16, 2024, for the first five years of the guaranteed loan term with the financial institution, eligible participants may receive an annual rebate equal to the difference between their negotiated interest rate with their lending institution and the Commercial Bank Prime interest rate. As the maximum interest the financial institution can charge to receive the loan guarantee from the Province is 2 to 2.5 per cent above Commercial Bank Prime, this is also the maximum amount available from the interest rebate.

Within 90 business days from the harvester receiving its loan from the financial institution, a letter will be issued to the harvester outlining the amount of rebate that may be received, including a timeline for expectation of payments. The rebate will be paid annually, and on the condition that the harvester makes all loan payments to the financial institution in accordance with the terms and conditions of the loan.

The funding for the interest rebate is made available through the Innovation and Business Investment Corporation and delivered through the Department. There is \$5 million available for interest rebates.

Application Process

Application forms are available on the Provincial Government website (Harvester Enterprise Loan Program - Jobs, Growth and Rural Development). The applicant must select whether they are applying for the loan guarantee alone or can select the down payment loan and interest rebate as optional add-ons. The application is a fillable form, and allows space for harvester and fishery information, project description, financial and employment history, as well as a net worth statement. The application must be completed in full, including a signature from the applicant, to be eligible for any aspect of the Program.

Formal application is made directly to the applicant's financial institution, which in turn will submit the application to the Department to open the file and assign an account officer. Before a full assessment can be completed, the financial institution must also collect and submit all relevant documentation necessary to the Department, as per the checklist in Annex A.

Applications that are assessed positively by the Department will be submitted to the IBIC Board of Directors for approval. Once a decision has been made, the financial institution will be notified by JGRD. If the applicant also applied for the down payment loan and/or interest rebate then JGRD will also notify the applicant directly.

Disbursements

1. Down Payment Loan

For successful applicants that have selected the down payment loan option, disbursement of the funds will only occur after:

- The Department has confirmed the applicant is in good standing with the Government of Newfoundland and Labrador;
- All necessary security has been registered; and
- All necessary financial agreements have been executed.

2. Interest Rebate

Successful applicants will be contacted by the Department on or around every one-year anniversary of their application.

Prior to any disbursement of payments by the Department for the interest rebate, the harvester will have to meet expectations outlined in the letter, including but not limited to:

- Remain in Good Standing with the Government of Newfoundland and Labrador;
- Provide JGRD with most recent financial statements preferably audited or accountant reviewed;
- a letter from their financial institution confirming the applicant has made all required payments on their loan. The letter must also indicate the interest rate applicable for the loan and total amount of interest paid for the year and
- Be up to date with required payments to the financial institution related to the guaranteed loan.

Rebate amounts will be calculated upon application approval using the following calculation: the interest paid each year less the interest that would have been paid were the loan issued at commercial bank prime. For the purpose of the calculation, all loans are assumed to be fixed, and the interest rate and Commercial Bank Prime rate as of the effective date of the loan will be used for the calculation.



Government of Newfoundland and Labrador
Department of Jobs, Growth and Rural Development

More Information

For more information, please call (709) 729-6123 or
email at businessnavigatornl@gov.nl.ca

ANNEX A - Harvester Enterprise Loan Program

Application Procedure – Check List

	Yes	No	Not Applicable
APPLICATION			
HELP Application - Completed and Signed			
Personal Net Worth Statement - Signed			
Financial Institution Guarantee request			
Financial Institution Term Sheet			
ELIGIBILITY			
Company is a Canadian/NL Entity			
Proprietors or Shareholders are resident to NL			
Core Harvester as certified by Professional Fish Harvesters Certification Board (Level II – minimum); (Copy of Member Card)			
Holds or eligible to hold a commercial fishing licenses			
The funding is necessary to the benefit of the enterprise			
ASSESSMENT DOCUMENTATION			
Program Quotes			
Purchase & Sale Agreement			
Bank Analysis/Write Up			
License Appraisal			
Identification of existing Assets (vessel/licenses)			
Description on background/history of harvester			
Historical Financial Statements (current & 3 years)			
Breakdown of Historical Revenues by species, volume & price			

Projected Financial Statements (3 years)			
Breakdown of Projected Revenues by species, volume & price			
Copies of Income Tax returns of Proprietors/Shareholders			
Financial Statements of Associated Companies			
Full copy of existing Fishing Licenses identifying species, quota and detailed fishing areas			
Full copy of Fishing Licenses being acquired identifying species, quota and detailed fishing areas			
Copy of the proprietors credit bureau report from bank			
VESSEL TECHNICAL ASPECTS			
Vessel Purchase			
- Vessel appraisal on file adequate to JGRD			
- Vessel life expectancy adequate to cover term of the loan			
Vessel Refit / Construction			
- Copy of executed ship building contract			
- A copy of approved plans from Transport Canada			
- All quotes supporting costs			
Progress Advances			
- JGRD receive progress reports from appraiser			
- Formal request for payment from Bank			
HAS DEMONSTRATED			
Potential Viability			
Ability To Repay the Loan			
A favorable credit record			