

Suggested Changes to the Fisheries and Aquaculture Loan Board Regulations

Category	Item	Current Situation	Suggested Change	Reasoning
Approval Limits	Loans requiring Cabinet approval	Cabinet approval is currently required when a borrower's level of debt to the Board would be more than \$5,000,000.	Allow the Minister of Fisheries and Aquaculture, upon approval of the Board, to approve lending when a borrower's total debt to the Board would be between \$5,000,000 and \$10,000,000. Provide for Cabinet approval, upon approval of the Board and Minister, when a borrower's total debt would exceed \$10,000,000.	Current approval limits can add time and complexity to the loan approval process. The proposed changes will allow for a more efficient approval process for clients.
	Security Release	Cabinet approval is required for the Board to release any security on loans that were previously approved by Cabinet.	Allow for the Board to release security on loans having previously been approved by the Board under \$5,000,000 in value. The Minister, upon approval of the Board, may release security on loans having value between \$5,000,000 and \$10,000,000 and on Governor-in-Council approved loans if the Board and Minister are satisfied that the release does not change the risk to the Board.	Current requirement for the release of security can add time and complexity to the security release process. The proposed changes will allow for a more efficient security release process for clients.
Loan Terms and Conditions	Loan Limit	The Board typically lends for a maximum of 90% of the appraised value of the assets securing the loan.	Specify that the Board can lend for more than 90% to both existing and new borrowers.	Provides greater clarity that the Board can continue to offer specific loan programs such as new entrant financing (lending of 95% of the value of licences for new entrants).
		The Board can lend for more than 90% under certain circumstances.	Specify that the Board can lend for more than 90% if in support of Department or Board priorities	
	Deferral of Principal Payment	The Board may defer or adjust payment to permit a borrower to establish their business.	Provide that the Board may defer or adjust payments to allow a borrower to establish, expand, modify or develop their business operations.	
	Payment options under closed payment loan	The Board may only accept, without the payment of interest or a penalty, a payment that exceeds 10% under specific circumstances.	Provide greater clarity that the Board may continue to accept, without the payment of interest or a penalty, a payment that exceeds 10% from proceeds from any source that the Board determines is appropriate.	Provides greater clarity that the Board can continue to accept a payment of more than 10% without interest or penalty in a variety of instances, such as when a borrower for a new fishing vessel sells an existing vessel.

Category	Item	Current Situation	Suggested Change	Reasoning
Prescribed Fees	Application fee for vessel construction loans	<p>Application fee ranges for new vessel construction loans are as follows:</p> <ul style="list-style-type: none"> • Loan amount up to and including \$10 000 = \$311.00 • Loan amount over \$10,000 to \$100 000 = \$498.35 • Loan amount over \$100,000 to \$300 000 = \$1495.15 • Loan amount over \$300,000 to \$500 000 = \$3737.00 • Loan amount over \$500,000 = \$6229.00 	Propose new vessel construction application fee ranges that increase the lower and/or upper limit of each range; thereby reducing the application fees for certain new vessel construction loans and maintaining the current application fees for others.	Vessel construction costs have increased in recent years. As such, borrowers are paying increased application fees solely due to increased construction costs and not due to increased level of service from the Board's vessel inspection program. No borrower would pay a higher application fee under the proposed changes, and a number of borrowers would pay a lower application fee under potential changes.
	Application fees for non-vessel construction loans	The application fees for a loan up to \$5 000 000 are 0.25% of the loan amount, with a minimum fee of \$400 and a maximum fee of \$2000 an the application fees for loans of \$5 000 000 and over are \$3 000.	Amend to state that the application fees for a loan less than or equal to \$5 000 000 are 0.25% of the loan amount, with a minimum fee of \$400 and a maximum fee of \$2000 and the application fees for loans greater than \$5,000,000 are \$3 000.	Provides that for loans of exactly \$5 000 000, the lower application fees will apply. This will align the application fee structure with the proposed amendments to loan approval limits.
	Reamortization Fee	The reamortization fee is the lesser of 0.125% of loan balance or \$250.00	Redefine as a 'Refinancing Fee' and set at the lesser of 0.125% of loan balance or \$100.00	Reamortizations are a routine and less time-consuming process and as such do not merit a specific fee. Refinancings are an infrequent process for which \$100.00 reflects the cost of providing this service.
Administrative Changes	Approved Boatbuilders	The Board must maintain a list of approved boatbuilders.	Remove requirement for the Board to maintain a list of approved boatbuilders.	The regulatory requirement for a list is not required for the Board to continue to approve boatbuilders.
	Security Documents	<p>Borrowers must keep all secured property in good condition and state of repair.</p> <p>Borrowers must comply with all relevant standards and requirements for secured property.</p>	<p>State that borrowers must keep all secured property in good condition and state of <i>maintenance</i> and repair.</p> <p>State that borrowers must <i>maintain</i> and comply with all relevant standards and requirements for the secured property.</p>	Provides greater clarity to borrowers on their requirements to preserve the Board's interests in secured property.