

Questions and Answers from the CDAP's Information Session on the BDC Loan

Application Process

- **My plan has been approved and I received the grant, how do I apply for the BDC loan?**

Please log back into your CDAP Portal account, the link to apply for the BDC loan and for funded work placement will be activated after the grant payment has been approved.

Once you click on the appropriate link, you will be directed to the BDC application page (leaving CDAP's portal environment to BDC's).

- **Is the credit check done on the company or the person applying for the grant?**

It is done for both. The credit check is done on the company as well as all shareholders that have more than 25% of the company.

- **What is the minimum credit score required for SMEs to qualify?**

There is a full model owned by BDC, there are many variables that can affect this. This question cannot be directly answered.

- **If an SME already has an account manager with a client space account, do they need to create a new account for CDAP or can they work with the existing one?**

If the SME is already a BDC client, the SME will still need to use the link in their CDAP portal to start their CDAP BDC loan application. The link will take them to their Client Space and the BDC will have to confirm the SME's information is still accurate. The application process may be faster for existing clients since they do not have to re-enter the information that BDC already has, BDC only needs to confirm the validity of the information.

- **If a client owns multiple businesses that qualify for CDAP, how does that affect their BDC loan, can they apply to all?**

Yes, a client may apply for all of their businesses as long as each business is qualified for the CDAP grant and the client submits an application for each firm for the BDC loan. The client would have to go through the process separately for all of their businesses, it would not be done under one application.

- **If some shareholders of the company hold less than 3% of common shares, do they need to sign? Or is it sufficient for major shareholders to sign?**

BDC only looks at shareholders that hold more than 25%, others are considered minor shareholders.

- **If a business' shareholder is another company, not an individual, what should the applicant fill in for the shareholder info?**

If the shareholder of a company is another company, the applicant should enter the company info, then the applicant will be asked to identify the shareholders of that other company. Ultimately, BDC will want to know who the individuals behind the different companies are.

- **In the "consent" section, is it sufficient to estimate the personal financial situation of the principal applicant, or do they need to provide actual info?**

The consent section is where BDC will identify the principal applicant. It will ask questions about the information on the applicant's credit report, so it is important that the applicant knows the exact information.

- **When filling in the company info, is there a time requirement for the selection of the year of the fiscal year end requested? For example, within 12 months**

It is the last year end available. E.g. if the yearend is December 31, BDC will not expect to receive Dec 31, 2022, they will rely on the Dec 31, 2023. If the yearend is July 1, then they will expect to receive the July 1, 2022. We expect them to file the taxes within the 6-month window.

- **Are there any industries exempt from the BDC loan?**

BDC does not engage with organizations that promote violence, sexual exploitation or out of the law.

Additionally, non-profit organizations are illegible for the CDAP grant and therefore they are unable to apply for the BDC loan.

- **Does the loan require a GSA?**

The loan does not require GSA. The only entity that would be linked to BDC is the business itself.

- **If someone has a loan with BDC already does this impact them or affect them?**

There is a unique process for the CDAP BDC loan, and it is not affected by the previous loans that the client already has with BDC. They would still go through the same application process as anyone else.

- **What supporting documents does the client need to provide for the BDC loan? Such as invoices etc.**

The client will need to complete the web form (information about the company, shareholders, etc.), provide a valid ID (license, passport) and submit their financial statement.

BDC will not ask for invoices after disbursing the loan, BDC provides the audit right to ISED.

- **Can someone find out if they will be approved for BDC loan before the development of the digital adoption plan?**

No, BDC does not do pre-approval. As a Digital Advisor, if you have the SME's financial statement at hand then it may give you an idea of if they will be approved. However, there is no way of knowing if they will be approved for the loan without going through the entire application process.

Technical Issues

- **The BDC link does not work, who do I contact?**

The link usually works. Clients can email digitaladoption-adoptionnumerique@ised-isde.gc.ca for guidance.

Alternatively, clients can contact BDC by selecting contact us at the bottom of [BDC's CDAP page](#) for further support.

- **What are some common applicant mistakes when applying for the BDC loan from the portal?**

When applying for the BDC loan, please provide the exact same business information you submitted in your CDAP application. The same email address associated with your ISED personalized link/application must be used for the BDC application. The legal business name, and business address must also match.

- **If personnel at the business have changed, how do they update the contact email to ensure it will match between ISED and BDC?**

When the client applies on the BDC portal, there is a disclaimer that says, "If your email has changed, call this number...". The client should call the number on the disclaimer and the tech support team will help them through the application process.

- **What can clients do for digital verification if they don't have online banking?**

The BDC loan application process does not require banking login, they use a different method. For the CDAP grant application process, they will have to request a manual verification if they are unable to identify online.

Timelines

- **How long does it take from an approved loan application to payment?**

Once the offer letter is signed, the loan is disbursed the next day (24 hours). This is excluding weekends.

- **What is the typical processing time for the loans?**

First, the applicant must access the BDC link from their CDAP portal.

Then the SME will fill out the BDC application form, and BDC will request additional information such as financial statements. Any shareholder that holds more than 25% of the shares will have to identify and provide their consent for the loan.

On average, it takes around 14 days for the processing time, however, the timelines may differ depending on the client.

- **How long do former Audit 4.0 clients have to submit an application?**

For those who have their plan done through CDAP, they have 6 months to apply for the BDC loan. For fast trackers (e.g., Audit 4.0 clients), once the plan is approved the link to apply to BDC is valid for only 1 month.

Amount of the loan

- **Does the SME request the amount of money they want to borrow or does BDC decide how much to loan them?**

BDC will decide on the loan amount depending on the amount requested by the business as well as their revenues:

If the company's revenues are between \$500,000 and \$5,000,000, they are eligible for a loan between \$25,000 and \$50,000.

If the company's revenues are over \$5 million (maximum is \$100 million), they are eligible for a loan between \$25,000 and \$100,000.

- **Are the loans disbursed in 25-50-100k or can they be 40K (for example)?**

BDC gives the range of loans, but the client should make their request according to their need. For example, if the digital adoption plans states that the budget to replace the accounting system is 35,000\$ or 40,000\$ without any other expenses associated with it, the SME should apply for a loan of 35,000\$ or 40,000\$. However, it is important to note that the client can only apply for a loan once. So if the client is eligible for \$100,000, but only asks for \$60,000 at first and wants apply again for the \$40,000, it would not be possible.

Rejection of the loan

- **If an SME is rejected for the BDC loan, can they re-apply after at a later date?**

Once a company is declined, they cannot come back for another application for the same project.

- **What if the client had been refused a BDC loan in the past for other needs?**

If the client had been declined for another loan, it is likely that the business did not have the capacity for the loan.

However, just because they were declined for another loan doesn't necessarily mean that they will be declined for the CDAP loan.

- **Who do we contact when a loan is denied but there is no explanation provided why?**

Each client that is declined will receive an email. There could be various reasons for why they are denied, they can respond to the email and ask for more detail.

After the loan approval

- **Is the loan issued to the owner/director or the corporation (individual vs. corporation)?**

The BDC loan is issued to the corporation (for sole proprietorships, the registered business), and not the individual.

It is also important to note that the registered business applying for the BDC loan must be the same business that qualified for the CDAP grant.

- **What kind of reporting requirements does the client have to make on the BDC loan?**

There is no reporting obligation on an annual basis. If the client only has the CDAP BDC loan, there is no reporting obligation. The financial statement is only requested once.

- **If the SME goes out of business, what happens to the outstanding loan?**

The process would be the same as any other financial institution, including BDC. The SME's account will be transferred to a special account and legal action will be taken to recover the outstanding loan.

- **What happens if an SME applies for the loan but then decides to not use the funds. Is there a penalty?**

If the loan was authorized but the client did not sign the letter of offer yet, then the loan would not be disbursed and there is no penalty.

If the loan was disbursed and the client had started implementing, but then decide they don't want to use the loan anymore, they can repay BDC with no extra fees.

Repayment of the loan

- **Can you describe the 12-month postponement?**

For the first 12 months after the authorization of the loan, there is no payment required. The repayment of the loan starts after 12 months.

- **Is the repayment of total loan amount divided into 60 months (5 years)?**

Yes. The loan is amortized over 5 years. But in addition to the 5 years, there is a 1-year capital moratorium. For example, for a \$50,000 loan, the client will have to pay \$10,000 of capital per year, but they will only start paying it after the first year.

- **Can the client pay back on a monthly basis, or should it be all at once in 5 years?**

The loan is amortized for 5 years so it is repaid on a monthly basis, 60 payments in total.

- **Are the repayment terms flexible? E.g.: Does a \$50K loan have to be repaid automatically up to \$10K/year?**

The repayments are not flexible. The loan is divided into 60 payments.

- **Is there an option for the client to extend the loan payment schedule (with interest and different terms) after the initial interest-free period?**

If the client wants to extend the loan payment schedule, they will have to go through re-financing and go through the regular BDC loan process. Depending on the business, the interest of the loan may be significant.

BDC is less flexible on the terms & conditions of the BDC CDAP loan.

Eligible costs

- **If an SME acquired software during the CDAP advisory process, would it be eligible for the BDC loan?**

If the acquisition of that software is included in the digital adoption plan, yes, it is eligible. If the acquired software is not a part of the digital plan, then it is not eligible. The loan must be used to implement what is stated in the digital adoption plan and nothing else.

- **For the use of the loan, can you elaborate on what 'additional advisory services' might be?**

For example, if a digital plan recommends implementing a CRM for an SME, the SME might need additional advisory services to determine which CRM is best for their company. So, the loan could include implementing a CRM and additional advisory service to determine which CRM to choose, i.e., a system selection advisory service.

- **Can businesses use loan proceeds for paying SaaS subscription fees? E.g. for new CRM**

Yes, as long as it is for the implementation of the digital adoption plan, it is eligible for the loan.

- **Is digital content (i.e. creation of videos for website, email etc.) an eligible cost?**

Yes, as long as it is identified in the digital adoption plan and it is a part of the broader digital transformation of the company, it would be eligible for the loan.

- **Can the loan be used to custom build a software solution rather than buying?**

Yes, if it is in the digital adoption plan. If they have the capacity and the opportunity to build their own software solution, they can.

- **If the plan recommends Facebook marketing for \$3,000 a month, can the client take out the \$3,000 loan to finance it for ten months?**

Yes. If the client wants to go to a monthly service instead of buying the technology, it is possible to do so because it is part of the digital adoption plan.

- **Does the loan have to be used for capital expenses or can it be for operation too (e.g. payroll)?**

Yes, the loan can also be used for operations as long as it is in the digital adoption plan (e.g., DAP recommends the SME hires new staff to manage digital marketing, then the SME can use a portion of the loan for their salary)

- **Can a client use their BDC loan to support existing debt?**

No, this loan is designed to implement the digital plan. The BDC CDAP loan should not be used to refinance existing debt.

Other

- **Will digital advisors be able to share the information from this session to clients to outline the parameters of the loan?**

Yes, and there is more information on the <https://www.bdc.ca/en/canada-digital-adoption-program> where you can find the loan parameters and terms.

- **If the budget in the adoption plan recommendations exceeds the eligible BDC loan limit for the client, what will the BDC loan cover?**

For example, if an SME is eligible for a \$100,000 loan and they want to purchase a \$400,000 CRM, the client has other options. The client can either absorb it in his liquid assets in his current return fund or he can ask for additional financing from the BDC, but it will not be a 0% loan, it will be a loan under our regular terms and conditions. The SME can also go to their bank and seek additional financing to make up the difference.