

Q&As – Regional Relief and Recovery Fund - support for businesses in rural southern Ontario through southern Ontario CFDCs

Q1. What does this new funding include?

A1. This is special one-time relief funding established by the Government of Canada to support businesses, organizations and communities impacted economically by the COVID-19 pandemic.

The national \$962-million Regional Relief and Recovery Fund (RRRF) provides funding to small- and medium-sized enterprises (SMEs) that are unable to access the government's existing support measures, and access to capital for rural businesses.

Of this funding, \$252.4 million is available through the [Federal Economic Development Agency for Southern Ontario](#) (FedDev Ontario).

On May 13, FedDev Ontario launched the RRRF [application process](#) for SMEs facing financial pressures due to COVID-19. FedDev Ontario is delivering \$213 million to help support fixed operating costs of SMEs, where business revenues have been affected by the COVID-19 pandemic.

In addition, \$39.4 million is being delivered by southern Ontario's Community Futures Development Corporations to provide rural businesses with access to capital and business support.

On October 2, 2020, Minister Mélanie Joly announced an additional \$184 million in funding through RRRF for FedDev Ontario to support more organizations in the region impacted by COVID-19. Southern Ontario CFDCs will continue to provide targeted support to rural businesses; delivering \$30 million of this additional funding.

As strategic partners, CFDCs are well-positioned as key resources in your communities to offer the targeted support needed by local small businesses.

Q2. What does this fund support?

A2. The government has introduced several measures to support businesses affected by COVID-19, as part of the Government of [Canada's COVID-19 Economic Response Plan](#). Small businesses are the backbone of our economy and many have limited access to traditional financial institutions or other business service providers. The government is working around the clock to give these businesses the support they need to get through this challenging time.

The RRRF is targeted support for SMEs that do not qualify for, or have been declined for, current Government of Canada COVID-19 relief measures.

Funding is available through two streams:

1. Direct support through FedDev Ontario for SMEs facing financial pressure due to COVID-19.
2. Support through CFDCs for rural main street businesses and small/micro enterprises in communities serviced by CFDCs. Eligible SMEs can apply directly to these CFDCs for financial support to relieve the economic challenges posed by COVID-19.

If you have attempted to access other relief federal supports and were ineligible or declined, or require additional support, you may apply. Note that priority will be given to applicants who were ineligible for other federal relief supports.

Applicants must demonstrate through an attestation that they have not or will not apply for or accept other equivalent Government of Canada support.

Q3. How much money will be allocated to this new initiative?

A3. Funds will be allocated under two streams:

1. \$675 million nationally (\$213 million through FedDev Ontario) to support businesses in regions all across Canada. Applications under this stream are to be submitted directly to FedDev Ontario at <http://www.feddevontario.gc.ca/RRRF>;
2. \$287 million to support the national network of Community Futures Development Corporations (\$39.4 million in southern Ontario), which will provide support targeting critical businesses and organizations in rural communities. Applications under this stream are to be submitted directly to local CFDCs.

On October 2, 2020, Minister Mélanie Joly announced an additional \$184 million in funding through RRRF for FedDev Ontario to support more organizations in the region impacted by COVID-19. Southern Ontario CFDCs will continue to provide targeted support to rural businesses; delivering \$30 million of this additional funding.

Q4. How much will be available through southern Ontario's CFDCs?

A4. Of the \$287 million announced for the Community Futures Program, \$39.4 million is allocated for CFDCs across southern Ontario. On October 2nd, an additional \$30 million was allocated towards southern Ontario CFDCs.

Q5. What support does this funding offer to small businesses in rural southern Ontario?

A5. Through the RRRF, loans provided by CFDCs to businesses in their communities are intended to help support fixed operating costs of SMEs, where business revenues have been affected by the COVID-19 pandemic.

CFDCs will be able to issue loans to a maximum of \$60,000 at zero percent interest. If the loans are repaid in full prior to December 31, 2022, up to a maximum of \$20,000 will be forgiven using the following guidelines:

For clients receiving \$40,000 or less;

- 25% (not to exceed \$10,000) of the amount received \$40,000 and under can be forgiven provided the Client has paid 75% of the original loan amount prior to December 31, 2022;
- For loans issued totaling between \$40,000 and \$60,000; 25% (not to exceed \$10,000) of the first \$40,000 and 50% (not to exceed \$10,000) of the second \$20,000 can be forgiven provided the client has paid the full outstanding balance by December 31, 2022.

Applicants interested in higher amounts should apply directly to FedDev Ontario.

Q6. Who can apply for funding and what are the eligibility criteria?

A6. This new funding supports businesses social enterprises and eligible not-for-profit corporations impacted by the COVID-19 pandemic who are unable to access existing federal relief measures.

If you are a SME interested in a loan of up to \$60,000 to help your business, you may be eligible to receive RRRF support from your local CFDC.

Eligible Applicants:

- Funding is available to SMEs, Social Enterprises and eligible not-for-profits that are either ineligible or rejected from other government relief measures, or that have operating expenses in excess of the support received.
- CFDCs may give priority to “main street” businesses and small/micro enterprises, including, for example, retail shops, restaurants, corner stores etc. and businesses of strategic importance to the community.
- Eligible applicants must also meet the following criteria which will be captured in an attestation form to be provided by FedDev Ontario:
 - established prior to March 1, 2020
 - impacted adversely due to the COVID-19 pandemic

- viable and not experiencing financial difficulties prior to March 1, 2020
- have attempted to access other federal relief supports and were ineligible, rejected, or require funding for expenses in excess of support already received, with priority given to applicants who were ineligible or rejected from other federal relief supports.

* Note that businesses may also be eligible to receive RRRF funds from FedDev Ontario, but may not receive RRRF assistance from both a CFDC and FedDev Ontario.

Applicants must demonstrate through an attestation that they have not or will not apply or accept other equivalent Government of Canada support.

Q7. What is the application process?

A7. Funding is now open for application here [link to where to apply on CFDC site].

Applicants are encouraged to contact their local CFDC for more information and to apply.

The application process will be publically available until all funding is allocated.

Q8. When does the window for applications open and when will it close?

A8. *[This response is to be tailored by each CFDC depending on their launch date].* Applications are accepted on an ongoing basis with no submission deadlines. However, do not delay in applying as interest in the RRRF is expected to be high. Applications will be accepted and reviewed when received until the Fund is fully committed.

Q9. How much funding are applicants eligible to receive from their local CFDC?

A9. Loans of up to \$60,000 are available through the CFDCs. Those seeking

loans over \$60,000 should consult the program guidelines and eligibility criteria for RRRF funding through FedDev Ontario.

Q10. What considerations will drive funding decisions?

A10. CFDCs will prioritize assistance to “main street” businesses, including, for example, retail shops, restaurants, and corner stores, etc., as well as businesses of strategic importance to the community.

Eligible SMEs, social enterprises and eligible not-for-profit corporations will have to demonstrate the financial hardship they are experiencing as a result of COVID-19 and the need for financial assistance to support their fixed operating costs during this period.

While organizations that have already received funding from other federal relief measures can still apply if their funding requirements exceed support received to-date, priority will be given to organizations who have been deemed ineligible or declined from accessing other COVID-19 federal relief measures.

Q11. When will decisions on applications be made and announced?

A11. Applications will be assessed as they are received. It is expected that CFDCs will respond as quickly as possible using a streamlined approach and communicate directly with the applicant once a decision has been made.

Q12. Can I apply if I am already receiving Government of Canada funding?

A12. This funding is intended to address gaps for firms that are ineligible under other Government of Canada COVID-19-related support programs.

If you have attempted to access other relief federal supports and are ineligible or were declined, or if you received funding and have operating expenses in excess of the support received, you may apply (please note that priority will be given to those who have been rejected or ineligible for receiving other government relief measures).

Applicants must demonstrate through an attestation that they have not or will not apply or accept other equivalent Government of Canada support.

Q13. How does this Fund differ from other COVID-19 funding measures announced?

A13. This funding is intended to help support fixed operating costs of SMEs, where business revenues have been affected by the COVID-19 pandemic. It is intended to address gaps for firms that are ineligible under other federal COVID-19-related support programs, or that have operating costs in excess of the funding they have received (priority will be given to those SMEs who have thus far been deemed ineligible or rejected from accessing these other government supports).

Q14. Can a tourism-related business or organization apply for funding?

A14. Yes, tourism-related businesses can apply. However, funding is not available for not-for-profit tourism organizations.

Q15. Is there support available to Indigenous businesses?

A15. Yes. Indigenous SMEs are encouraged to apply through the CFDC that services their community. They are also eligible to apply directly to FedDev Ontario for support under the RRRF.

Similar to other applicants, Indigenous SMEs will have to demonstrate that they were either unable to access other government relief measures, or require additional support.

Q16. How long will this funding be available?

A16. This funding aims to mitigate the financial pressure experienced by small businesses and organizations in Canada's rural regions, allowing them to continue their operations. This funding is for the 2020-21 fiscal year.

Applicants are encouraged not to delay in submitting applications as demand is expected to be high.

Q17. What are the lending terms required for the loans coming from this funding?

A17. Loans made by CFDCs using this funding will include the following terms:

- Zero percent interest until December 31, 2022.
- No principal payments until December 31, 2022.
- Principal repayments can be made voluntarily at any time.
- For clients receiving \$40,000 or less;
 - 25% (not to exceed \$10,000) of the amount received \$40,000 and under can be forgiven provided the Client has paid 75% of the original loan amount prior to December 31, 2022;
- For loans issued totaling between \$40,000 and \$60,000;
 - 25% (not to exceed \$10,000) of the first \$40,000 and 50% (not to exceed \$10,000) of the second \$20,000 can be forgiven provided the client has paid the full outstanding balance by December 31, 2022.
- If any part of the balance is not paid by December 31, 2022, the remaining balance will be converted to a term loan at up to five percent annual interest. Effective January 1, 2023.
- The full balance must be repaid no later than December 31, 2025.

Q18. Does a portion of this funding provide for non-repayable contributions to CFDC clients?

A18. Up to a maximum of \$20,000 in loan forgiveness, is available, provided the outstanding balance is paid back by December 31, 2022. And given the following guidelines:

- For clients receiving \$40,000 or less;
 - 25% (not to exceed \$10,000) of the amount received \$40,000 and under can be forgiven provided the Client has paid 75% of the original loan amount prior to December 31, 2022;
- For loans issued totaling between \$40,000 and \$60,000;

- 25% (not to exceed \$10,000) of the first \$40,000 and 50% (not to exceed \$10,000) of the second \$20,000 can be forgiven provided the client has paid the full outstanding balance by December 31, 2022.

Q19. At which rate are CFDCs lending this new funding?

A19. Loans will be made at zero percent interest.

Q20. Can a business apply to both FedDev Ontario and a CFDC?

A20. A business may apply to both FedDev Ontario and a CFDC, but cannot receive RRRF funding from both.

If you are a rural “main street” businesses including, for example, retail shops, restaurants, and corner stores or a social enterprise interested in a loan of up to \$60,000 to support your COVID-19-affected business, you should consider applying for RRRF support from your local CFDC.

Other rural SMEs seeking up to \$60,000 or firms interested in higher rates of support should apply directly to FedDev Ontario. Please visit the FedDev Ontario website and review the program information and applicant toolkit for more information and help determining which stream is right for you. Should you have additional questions, please call your local CFDC.

Q21. How will FedDev Ontario and the CFDCs work together to ensure a business receives assistance from only one or the other?

A21. FedDev Ontario will ask all applicants to identify if they have submitted an application to a CFDC. In these instances, FedDev Ontario will consult with the CFDC to ensure no duplication of support is provided to the SME.

In addition, CFDCs will request the completion of an attestation from all applicants to indicate they will not receive equivalent Government of Canada support from other sources and specifically, no RRRF funding from FedDev Ontario.

Q22. Can a loan client who received a preferred rate for COVID-19

relief transfer their approved loan to this funding given 25 percent is potentially forgivable?

A22. Under no circumstances can an existing loan be converted to a loan under the RRRF. Existing recipients must re-apply for support under RRRF. If a loan client received a preferred rate loan for COVID-19, they would not receive priority under the RRRF intake.

Q23. Will CFDCs retain these funds after the loans are paid back?

A23. Yes. CFDCs are required to track the investments separately for the duration of their contribution agreement and will repurpose the funds for the CFDC lending activity permitted under existing provisions of the CFP.

Q24. Does the interest rate have to be zero percent?

A24. Yes. All investments made under the RRRF will be issued at zero percent interest.

Q25. What support is available for businesses that do not fit into the two streams?

A25. The Government of Canada has introduced a number of measures to support businesses, organizations, workers and communities through the COVID-19 global challenge, as part of [Canada's COVID-19 Economic Response Plan](#).

As well, FedDev Ontario offers a number of [existing programs and services](#) to help businesses, not-for-profits and communities grow.

Your local CFDC is also there to offer support, financing and assistance with strategic planning for rural businesses.

Q26: Since our CFDC offered emergency loans for COVID relief since March 21 at preferred interest rates, can these loans be redone under the new RRRF stream at zero percent?

A26: The intent of the RRRF funds is to support businesses that have been rejected or ineligible for other government relief measures. If a SME is already receiving assistance through a CFDC emergency loan, it would be difficult to argue they meet that criteria. If the financial need is greater than what was already provided through the CFDC emergency loan, these SMEs can be encouraged to apply for additional support under the RRRF if they meet the criteria. To be clear, under no circumstance can an existing CFDC emergency loan be transferred/ported over into an RRRF loan.

Q27: Can loans be back-dated to March 16, when the economic shut-down started?

A27: Given that the new three-year contribution agreements commence April 1, 2020, this is the earliest possible start date for use of these funds.

Q28: Can the CFDC modify the eligibility criteria for loans in order to narrow the eligibility?

A28: No. CFDCs must advertise/market the same RRRF loan product as the RDAs and the other CFDCs to ensure consistency. However, individual CFDCs can prioritize funding to align to the local economic context to be inclusive of strategic businesses and sectors within a CFDC catchment area.

Q29: Can existing CFDC loan clients access the RRRF if they meet the requirements?

A29: If an existing CFDC loan client can demonstrate financial need at this time (that is not met by the CFDC loan they have already received) they could be eligible for the RRRF. Loan clients would need to follow the application process for RRRF support. CFDCs would be expected to track and report on their existing CFDC loan and their RRRF funding separately.

Q30: Can a CFDC prioritize existing loan clients to mitigate risk to their current portfolio?

A30: No, CFDCs may not prioritize existing loan clients. The intent of these funds is not to offset potential losses for CFDC portfolios.

Current CFDC clients may apply for RRRF loans and must be assessed by the same criteria as all other applicants.

Q31: Can a CFDC lend outside their existing CFP catchment area?

A31: A CFDC may only lend in their current catchment area as defined within their Contribution Agreement.

Q32: Does receiving the Canada Emergency Response Benefit (CERB) make sole proprietors ineligible for RRRF funding?

A32: Funding through the RRRF will not duplicate funding support provided by other federal relief programs. All applicants, including sole proprietors, are expected to demonstrate that they are unable to access existing federal relief measures, or that they require additional support. If the sole proprietor can demonstrate operating pressures other than wages that have not been covered by other relief funding, those expenses could be eligible for funding through the RRRF.

Q33: Are there federal support programs available for urban sole proprietors?

A33: On May 19, 2020, the Government of Canada announced modifications to the Canada Emergency Business Account (CEBA). In particular, sole proprietors receiving income directly from their businesses, businesses that rely on contractors, family-owned corporations that pay employees through dividends rather than payroll and businesses with a payroll lower than \$20,000, may now be eligible for CEBA.

The Government is working closely with financial institutions to implement the changes to CEBA as soon as possible. More details will follow in the coming days. Once available, eligible businesses are encouraged to follow-up with their financial institutions to apply for CEBA.

Sole proprietors located in rural and small communities serviced by a

Community Futures Development Corporation (CFDC) may also be eligible to receive RRRF funding assistance through their local CFDC.

Please visit the [Government of Canada's COVID-19 Economic Response Plan](#) for more information and updates.

Q34: What can CFDCs use the operating portion of RRRF support for?

A34: CFDCs are encouraged to review their entire operating budget to clearly outline costs attributed to the delivery of RRRF. This includes eligible expenses defined in the CA such as human resources and equipment. The only limitation is that funding may not be used for CED projects or strategic planning.

Existing positions responsible for the delivery of the RRRF may be claimed under the operating portion of the RRRF.

Q35: There are typically registration costs for CFDC loan clients (such as credit pull, GSC, Equifax). How are these fees being charged?

A35: Additional charges should flow through the RRRF operating funds and not be passed on to the ultimate recipients of RRRF loan. As per the RRRF guidelines, fees will not be charged by the CFDC for any RRRF loans.

Q36: While fees are not to be charged to RRRF loan applicants, can RRRF recipients be charged life insurance as a condition of the funding?

A36: Given that life insurance is for an individual, any cost of client life insurance would be charged to the client.

CFDCs requiring clients to have life insurance as part of their lending policies are encouraged to review the necessity and modify practices for the delivery of the RRRF if deemed appropriate by the Board of Directors.

Q37: Are CFDCs required to take security on RRRF loans? If so, what is acceptable?

A37: FedDev Ontario's RRRF directives within CFDC contribution agreements do

not stipulate a requirement for security for RRRF loans. CFDCs are encouraged to consider their general investment/security practices and modify them as the Board of Directors deems appropriate given the intent of the loans.

Q38: Will there be a requirement to set the earliest date upon which an RRRF prepayment in full can be made? Will the recipient be required to retain the loan proceeds for a minimum period of time?

A38: The RRRF directives within CFDC contribution agreements do not stipulate that a recipient must retain funds for a certain period.

FedDev Ontario has provided the following direction to SMEs applying directly to FedDev Ontario that CFDCs are welcome to use as a best practice: *No payments are required until December 31, 2022, however the applicant can opt to make payments anytime between January 1, 2021, and December 31, 2022.*

Q39: Can a CFDC provide an SME with both an RRRF loan and an emergency loan under the CFP investment fund to provide assistance over \$60,000?

A39: CFDCs can provide assistance to an SME under both the RRRF and traditional CFP investment funds if they deem it appropriate, recognizing each must be registered as a unique loan with specific parameters. The SME must submit two different loan applications, and the CFDCs would be expected to track and report on their existing CFDC loan and their RRRF funding separately.

Q40: If a client fully repays an RRRF loan, are CFDCs able to reissue the funds using the same conditions and guidelines set out in our contribution agreements?

A40: Funds repaid by RRRF clients may be re-issued using the same conditions and guidelines outlined in the contribution agreement.

Q41: If a single proprietor owns multiple businesses, can each business receive support under the RRRF?

A41: Providing each business is a unique incorporated entity with its own business number, CFDCs can consider an investment in each business. Each business must apply separately and demonstrate financial need. It is recommended that increased due diligence be applied to these applications.

Q42: What acknowledgement/logos should be used for RRRF materials and website?

A42: A communications kit has been provided to CFDCs including graphics. CFDCs **will not** use the Government of Canada logo or watermarks as part of their application.

Q43: Can RRRF capitalization funds be merged with CFP Investment funds?

A43: Although the capital provided to issue loans under the RRRF may be deposited into the CFP Investment account, the funds must be tracked separately for the duration of the RRRF.

As of January 1, 2023, outstanding RRRF loans will be converted to term loans as specified by the contribution agreement, and any remaining RRRF funds can be used for regular CFP investment activity.

Q44: Are commercial landlords or farmers eligible for support under the RRRF?

A44: All applicants who represent an incorporated business can be considered under RRRF. It is recommended that CFDCs ensure applicants have exhausted all options (either general or sector-specific) prior to providing support. If they have received other relief support, and continue to demonstrate a need not met by the support they have received, they can be considered by the CFDC.

Q45: The Canada Emergency Business Account (CEBA) program has recently been expanded. How does this impact CFDC RRRF funds?

A45: The Government of Canada could launch additional relief programs at any time with various program details and eligibility criteria. It is recommended that CFDCs continue assessing applicants who may apply to CEBA in the

future, or any other newly announced relief programs, using the information they have at the time of application.

It is recommended that CFDCs modify the attestation to stipulate that recipients must notify the CFDC immediately if they receive assistance in the future under the CEBA (or any other program), at which time, if the recipient is receiving a forgivable portion under any other relief program such as CEBA, the loan from the CFDC would become unconditionally repayable with no forgivable portion. This would ensure that applicants only receive one forgivable amount from Federal relief programs.

The remaining terms of the RRRF loan (0 percent until December 31, 2022, converted to a term loan for three years with up to 5 percent interest) would still apply.

Q46: Who can apply for the \$20,000 RRRF Expansion?

A46: Effective January 20, 2021, partially forgivable RRRF loans for eligible businesses increased from \$40,000 to \$60,000. RRRF recipients with up to \$40,000 in partially forgivable loan RRRF loans from CFDCs may apply for the RRRF expansion. RRRF recipients who have since become eligible for CEBA due to CEBA program changes do not need to apply to CEBA for the additional \$20,000.

Please note that regularly due diligence and eligibility criteria continue to be required before individual organizations are eligible for RRRF top-ups and it is the continued responsibility of an individual CFDC and their board to assess eligibility and need.

Q47: Will guidance be provided on how CFDCs should be administrating top-up funding for those eligible SMEs receiving loan top-ups to \$60,000?

A47: CFDCs should execute amendments, or entirely new agreements according to their administrative policies. For reference, FedDev Ontario will be issuing amendments to those recipients who are eligible and have requested a top-up (eligibility criteria of course to be applied).

Q48: What are the forgiveness terms for RRRF Loans?

A48: The following forgiveness terms apply to all RRRF loans (original loan and expansion loan) with a partially forgivable funding component. In all examples, if the outstanding principal, other than the amount of potential debt forgiveness, is repaid by December 31, 2022, the remaining principal amount will be forgiven, provided that no default under the Loan has occurred.

If you receive \$40,000 or less (original RRRF loan):

Repaying 75% of the loan amount, or up to \$30,000, on or before December 31, 2022, will result in loan forgiveness of 25 percent (up to \$10,000).

If you borrowed more than \$40,000 and up to \$60,000 (RRRF expansion loan):

If you received a \$40,000 loan and subsequently received up to \$20,000 in additional funding through the RRRF expansion, the terms of your forgiveness will be subject to the following thresholds:

- 25 percent on the first \$40,000; plus
- 50 percent on amounts above \$40,000 and up to \$60,000.

For clarity, the portion of forgiveness based on a rate of 25% and the portion of forgiveness based on a rate of 50% are combined into a single tranche of forgiveness, which is only available if all other amounts outstanding are repaid by December 31, 2022. For example, if \$60,000 is borrowed, no forgiveness is available unless \$40,000 is repaid.

Example 1	Example 2	Example 3	Example 4
-----------	-----------	-----------	-----------

RRRF Q & A

<p>Maximum Amount Borrowed: \$40,000</p> <p>Amount Repaid By December 31, 2022: \$30,000</p> <p>Available Forgiveness: \$10,000 (\$40,000 x 25%)</p>	<p>Maximum Amount Borrowed: \$60,000</p> <p>Amount Repaid By December 31, 2022: \$40,000</p> <p>Available Forgiveness: \$20,000 (\$40,000 x 25% + \$20,000 x 50%)</p>	<p>Maximum Amount Borrowed: \$50,000</p> <p>Amount Repaid By December 31, 2022: \$35,000</p> <p>Available Forgiveness: \$15,000 (\$40,000 x 25% + \$10,000 x 50%)</p>	<p>Maximum Amount Borrowed: \$60,000</p> <p>Amount Repaid By December 31, 2022: \$35,000</p> <p>Available Forgiveness: \$0</p> <p>The outstanding balance will be converted to fixed repayment schedule, beginning January 1, 2023.</p>
--	---	---	---