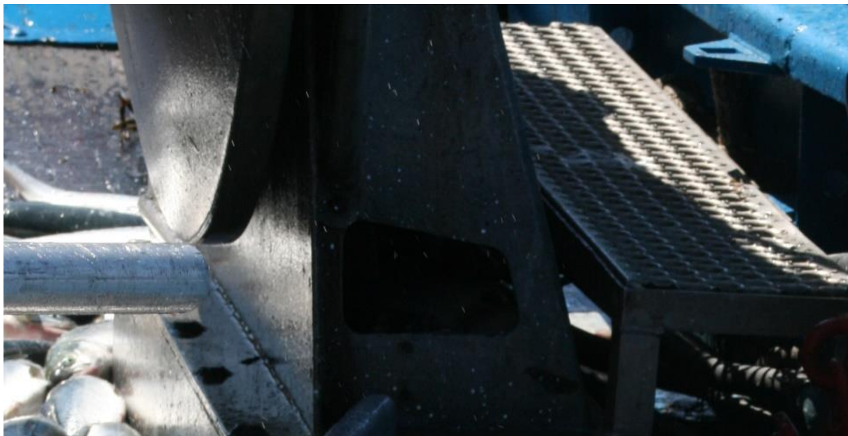


2024

NATIVE FISHING ASSOCIATION
Loan Application Guide

native fishing ASSOCIATION

Native Fishing Association

Financial Services

of the Native Brotherhood of BC

1/1/2024

[1] A lien is a registered charge (usually through the Personal Property Registry) against a person or an asset by another so that it cannot be sold until the debt that is owed to them is paid in full.

Part 1: The Loan Process

Are Indigenous fishing-industry loans riskier than regular loans?

Yes, they are considered high-risk loans for many reasons.

It's why the loan process involves considerable due diligence.

SAFETY OF INDUSTRY: According to Canadian Occupational Safety (2021), fishing is the most dangerous occupation in the world, with an average fatality rate of 15.96 deaths per 100,000 workers – and worryingly fishing is the most dangerous in Canada.

- *This is the reason effort is made to ensure a loan applicant has significant fishing experience on a variety of vessels, and in various fisheries.*

COMPLEXITY OF WORK: Fishing vessels are not just navigational boats, they are working platforms with many inter-connected systems for the finding, harvesting, and handling of catch. A skipper is required to manage all these systems, navigate the vessel, and manage the work activities of their crew.

- *This is the reason effort is made to ensure a loan applicant has learned from skilled, experienced, and successful skippers over enough years to be a good "ship's husband."*

UNPREDICTABILITY OF RESOURCE & ACCESS TO RESOURCE: Fishing targets are a wild resource that, due to human activity and climate change have increasing rates of unpredictability. New entrants must learn to "hunt" their target species in an evolving natural environment. Also, the Department of Oceans and Fisheries (DFO) system of licences/quota in BC are highly monetized so buying or leasing access is high-cost, and DFO systems can change with little notice.

- *This is the reason effort is made to ensure a loan applicant has previous fishing income and, either owns licence/quota, or has a good relationship with a licence/quota leasing agency.*

HIGHER RATE OF LOAN DEFAULTS: A fishing vessel can stop being functional if any of its many systems fail; repairs may be challenging due to lack of available funds, available skills, or available parts. Vessels need constant care and, if neglected, can be expensive or impossible to repair. There is the risk that access to licences/quota can be removed with little notice. There is the risk that target species are not found/caught. There is the risk that forecasted prices are much lower than expected.

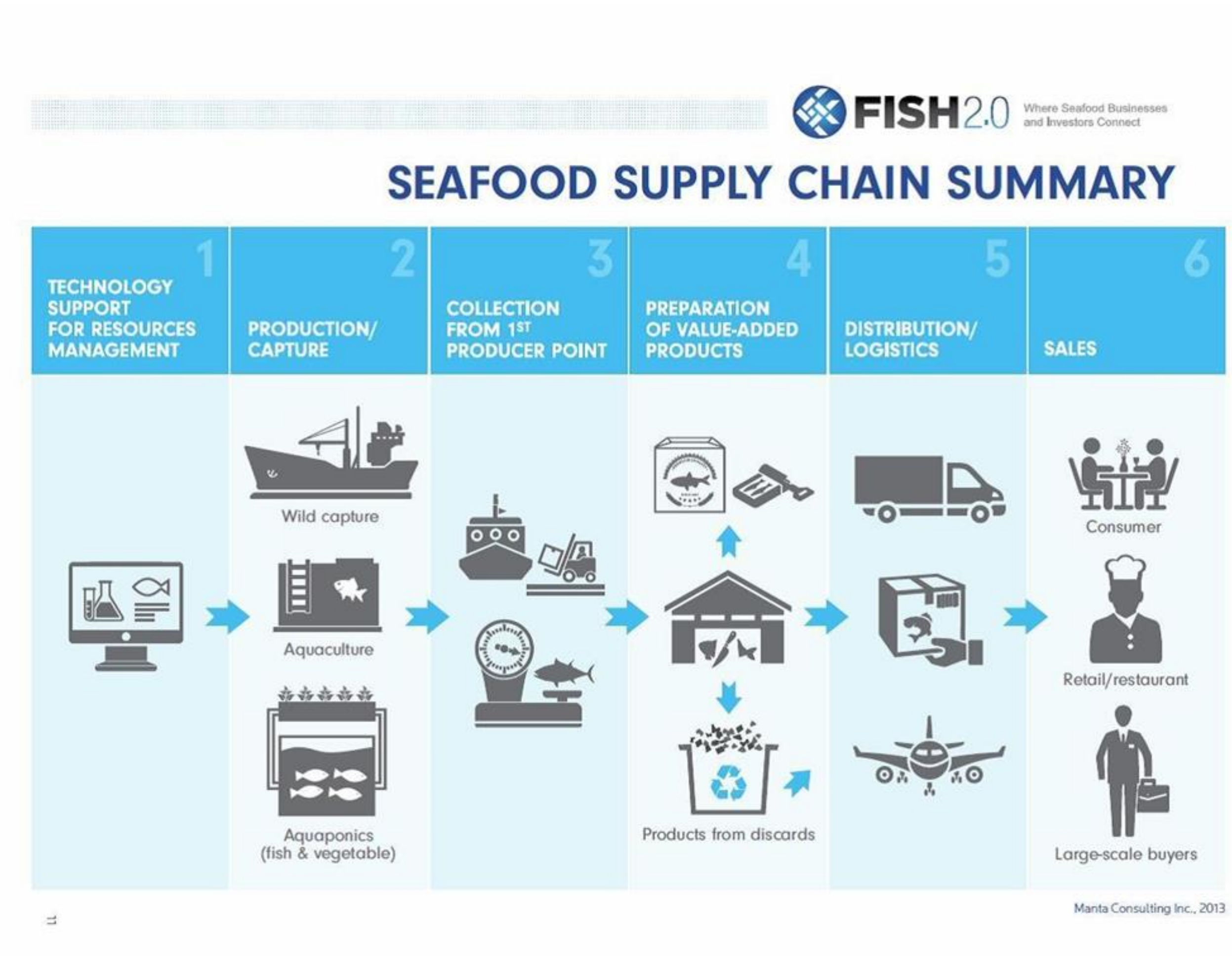
- *This is the reason effort is made to ensure a loan applicant is credit-worthy; their employment history shows habits of integrity, the income levels show a steady level of success, and their debt-to-income level shows they can handle the loan repayment.*

FRAUDSTER RISK: Indigenous financial institutes often offer a portion of a business loan as a non-repayable grant. Given the risks described above, there is consistent pressure from non-Indigenous participants to benefit in some way through what is perceived by them as "free money". These risks take the form of false identities, and inflated prices on fishing business assets and services.

- *This is the reason effort is made to verify the identity of the loan applicant, and why vessel purchase prices are verified by professional surveys and quotes for parts/labour come from at least two companies.*

What kind of fishing or seafood-related business will NFA consider?

A fishing-related loan application can be based on any aspect of the BC seafood value chain. In today's world, building resiliency in local food systems is of paramount importance to the economy and Indigenous entrepreneurs familiar with the BC fishing industry are ideally positioned to expand their businesses shoreside (diagram curtesy of World Economic Forum May 2020).



How long is the loan application process? When will funds be disbursed?

1. **(Optional) "Idea Chat" with <u>Executive Director</u> (5-30 minutes) – *what is it you need funds for?***
   - The earlier you do this, the better! Sometimes an exchange of ideas, and a chat about possible challenges, helps you make the best choices for your unique business and lifestyle path in the fishing/seafood sector.

2. **Application Form with the <u>Loans Manager</u> (1-2 hours)– *filling in the information together!***
   - Time is booked to go over the application form with you in detail over the phone. There may follow-up tasks to get verification of the facts on the application.

3. **Follow-up Documentation Provided by <u>Applicant</u> (timeframe is entirely up to applicant)**

4. **Internal Credit Checks, Lien Searches, Ownership confirmations, etc. (1-hour) by <u>Loans Officer</u>**

5. **Business Plan Session with <u>Executive Director</u> (1-1.5 hours)**
   - Not a lot of fishers have business plan writing experience, yet they have all the details of their plans in their head. NFA Executive Director books time to ask all the important questions, takes notes, drafts the business plan, and sends it to the applicant for review.

6. **Final Check with Applicant, then Submission to <u>Loans Committee</u> (up to 4 business days)**

7. **If approved, paperwork and other processes by <u>NFA staff team</u> (up to 3 weeks)**
   - We work as quickly and efficiently as we can, but if we must rely on other agencies to approve or file registrations, this will hold things up. Sometimes this post-approval stage is a matter of days, and sometimes, unfortunately, it is a matter of weeks.

8. **Funds are disbursed by <u>NFA Accountant and Executive Director</u> directly to vendors.**
   - from the initial "idea chat" to funds being disbursed can range from 2 weeks to 2 months, depending on the applicant and other agencies involved.

Part 2: Who are you?

Am I eligible to apply for an NFA loan?

To be eligible for an NFA loan, you need to be a member of any First Nation in Canada, and live and work in British Columbia.

Although a status card is one way of proving this, NFA will also accept a letter of confirmation from your Nation's administration indicating that they consider you a member. Unfortunately, NFA does not accept applicants of Metis ancestry but, instead, direct them to the financial services of Métis Financial Corporation of BC.

Who, specifically, is the applicant – individual or company?

In general, the government treats self-employed fishers like any other small business operator. Although there are three categories of self-employed fishers (a tax accountant can explain this), the simple way of thinking about this is, if you make money commercial fishing then you, as an individual, are considered a "sole proprietor".

However, it is becoming more common for fishing families to also have either a BC-registered business, partnership, or an incorporated company that they filter business expenses and revenue through. This is done for a broad range of reasons and there are many pros and cons associated with each business "entity" type (again, an accountant can explain this).

What is very important to a loan application is that these "entities" not get mixed up in the loan process.

For example, if an individual fisher is applying for a loan, then the loan application must be consistent with that and only describe that individual's assets, liabilities, past income levels and projected revenues. The security or guarantees (also called collateral) for the loan will only use assets owned by the individual and are registered in their name.

Likewise, the same consistency is to be used if a corporation is the borrower, even if it is 100% owned by a fisher and they are the only Director of the corporation. The loan application must only describe assets owned by the corporation, liabilities of the corporation, past income of the corporation and projected revenues of the corporation. Security for the loan will only use the corporation's owned assets.

There can be exceptions to this principle of consistency, but it does complicate the loan process. Some fishers may want to buy a vessel as an individual, pay it off and then transfer it to their corporation so the corporation does not hold the liability of the loan. Or, if an individual is borrowing the money and wants to put up an asset under the ownership of their corporation for security for the loan, then paperwork needs to reflect this is done properly and legally.

If I have a big family that depends on my income, will this affect my application?

Yes. When there are others who depend on your income, whether they be children, parents or others, a greater care needs to be taken to make sure the size of loan does not impose undue hardship on your dependents. Everyone needs a little extra to buy a birthday or Christmas gift, or maybe pay for a treat. Making sure that the applicant's debt load stays under 30-35% of their take-home pay, ensures there is enough to buy the essentials of living for everyone involved.

What are the benefits/obligations of having a co-signer or a Guarantor?

A co-signer takes full responsibility for paying back a loan, along with the primary borrower. A co-signer is obligated to pay <u>any</u> missed payments and even the whole loan if the primary borrower doesn't pay.

A guarantor is generally not responsible for repayments unless it becomes certain that the borrower will not be able to ever repay the loan.

Part 3: What Do You Need the Funds For?

What kind of quotes (parts/services) or purchase agreements are needed?

Getting accurate, detailed quotes on what the borrowed funds are for is important. If a vessel is being purchased a Vessel Purchase Agreement is required. This will include the date, the names of the buyer and seller, a description of the vessel, the agreed-on price and any conditions on the sale such as sea trials, approved financing, out-of-water survey, etc. and the dates these conditions need to be met by. As a vessel buyer, you also want to get all the contact/banking info of the seller because, if your loan is approved, NFA disburses the funds directly to them.

If, on the other hand, you are using borrowed funds for parts, service or other goods, detailed quotes are required. You should discuss taxes involved. Anything bought for the purpose of commercial fishing is PST exempt but you need to fill out a PST Exemption for Commercial Fishers: https://www2.gov.bc.ca/assets/gov/taxes/sales-taxes/publications/pst-102-commercial-fishers.pdf.

GST may, or may not, be charged depending on the policies of the vendor, whether you have a valid status card, whether work is being done on a reservation, etc. Call NFA if you have questions on the taxes involved and we can provide tax exemption information for both commercial fishers and status Indigenous people.

Part 4: Are You in a Financial Position to Become a Borrower?

What documentation is needed to show past income?

Annual Tax Return Assessments are ideal for proving the last 2-3 years of income. If tax returns are not available, fishing revenues could be proven with landing slips or emails from buyers describing dates, volumes, and prices of catch they have bought from you.

It is important to list income other than what you receive as payment for your catch. This may include fisher EI payments, other contracts involving your fishing vessel/gear, other employment not fishing related, or if you have household members who share in the paying of household debt then you can list their income.

What are considered assets?

These are the items the applicant owns either partially (if still paying a loan on the assets, the remaining loan is listed under liabilities) or in full and are registered in their name. They can be cash, cash equivalents and property. For example, you may use monies owed to you from a fish buyer, seafood inventory you may have in cold storage ready for sale, gear/nets/equipment, vehicles, trailers, and other property that can be sold. Current market value must be provided. For example, in the case of a vehicle, a standardized “book” value (Kelly Blue Book, Edmunds, etc.) can be used, or if a real estate property, a property tax assessment can be used. For smaller items, find multiple examples of similar items for sale on social media platforms, as this will give you a sense of what they are worth.

What should I include as my debts?

List any taxes that are owing to the government, any credit card balances, bank credit-line balances, vehicle loans, any loans received from a fish buying company, and even any personal loans you may owe to family and friends that don’t have a paper trail. What NFA is looking for is a total picture of debts you have and how long it may take to you to get to the ultimate goal of being debt-free.

People often worry that, if they have loans still being repaid, they may not be able eligible for another loan. That depends on whether your total amount of debt is still manageable with your income AND the loans you have are “in good standing” (meaning you pay all pre-arranged payments in full and on time).

Most people make monthly payments on their debts but if you have debts that you are making no payments on or are just making minimum payments, then please indicate this. You may need to calculate what payments may be necessary to pay down a debt in a reasonable timeframe and put that number as a “monthly payment”.

What do you look for in my credit/lien checks?

With credit checks, NFA looks for confirmation of the debts you owe, that your payments are mostly made on time, if there are any debts that have been written off, and how much of your available credit you are currently using. Credit reports allow the lender to see how many credit checks have been made, status of current and previous loans, revolving credit accounts, and dates of late payments.

Understanding your credit score, and what factors affect it positively and negatively, should be done regularly as good financial practice. Credit scores aren't impacted by checking your own credit report. Check out annualcreditreport.com to learn how to do this. You can get a free credit report every 12 months if you ask for it.

How much cash equity is required? What can be used for loan collateral?

CASH EQUITY: Do you have a minimum of 10% of the total project costs in personal cash reserves? Proof of this will be required through one of the following methods:

- current bank account balances, or
- equivalent amount applied as downpayment on a vessel (ensure it is returnable if you are not approved for financing), or
- receipts to secure purchasing gear/equipment that had pressing time restraints (not refundable if not approved for financing)

It's what we call "skin-in-the-game", and it is a requirement. Many fishers, when they learn this and realize they may not have it, just put the loan process on hold and do a few fishing trips to set that money aside in a secure account. Once they have it, they continue with the loan process.

Cash equity is not just about the money. It is an important psychological component of a successful loan repayment. With your own money at stake in your project, you want to successfully repay the loan, to realize the return of your own cash investment.

<u>Do not incur another loan to come up with the cash equity</u>. For example, often a fish company will offer to "give" a fisher their cash deposit for a loan to make sure their company gets that fisher's landed catch once they have a new vessel. This only adds to the debt load of a fisher and needs to be calculated as part of the Debt-to-Income ratio described above. This is NOT considered personal cash equity.

LOAN SECURITY/COLLATERAL: It is always preferable to a lender to use assets other than a fishing vessel for security against a loan (unless that vessel has a licence - owned, not leased - attached to it legally).

Statistically speaking, vessels are very hard to seize in the event of a loan in default. They may be left in unknown, hard-to-get-to or remote locations, may have equipment stripped from them, knowing that a vessel is going to be seized, others may try to use the vessel, etc. Once a vessel is finally seized at considerable cost, it is often only worth 50% of its purchase price. Of course, this is the worst-case scenario but, for a lender, it is a reality that needs to be considered. If a vessel is to be used as security for a loan, it is usually only with a borrower who is considered low-risk and has an established reputation in the fishing community for being an excellent steward of vessels.

Any asset used for security needs to be owned by the borrower and sellable at current market rates for the value of the repayable loan amount owing.

The legal tools, and their implications, that may be used to secure a loan should be understood by the borrower at the beginning of the loan application process.

- **Marine Mortgage**: This is governed by federal law and can only be used if the vessel is registered in the Canadian Registry of Vessels (owner has a Certificate of Registry). The mortgage is published in the Registry. This is the most secure form of collateral for a vessel loan and implies the lender has highest ranking claim against the vessel. This is also the tool used if you are building a vessel.
- **Marine Collateral Agreement**: This tool is much like a ships mortgage and again, can only be used on a vessel registered in the Canadian Registry of Vessels. The only difference with a Marine Collateral Agreement is that if the vessel increases considerably in market value, it allows the borrower to get further financing against that difference. This is a small difference, so it is considered an equally secure form of collateral against a vessel loan.
- **Personal Property Securities Registration:** This is a filing against a vessel can be done when a vessel is registered in either of the two vessel Registries (Canadian Registry of Vessels or Small Vessel Registry). This tool is typically used when taking a ships mortgage is not an option, as boats registered in the Small Commercial Vessel Registry, or that have pleasure craft licenses, cannot be mortgaged. PPSAs can also be filed against vehicles (if they are fully owned), bank savings deposits, and investment accounts. Retirement accounts are not usually accepted as collateral for a PPSA.
- **Promissory Note:** This is a documented promise to repay borrowed money. Promissory notes are binding legal documents used to protect both the lender and the borrower. All vessel/gear loans will ask for this. It is a written promise to pay your loan back.
- **Specific Assignment of Sales Proceeds**: This is an agreement that ensures that the borrower, if past due on loan repayments, cannot continue selling his catch for payment to a fish buyer without contributing to his loan repayment. It is a bit like "garnishing wages" but for the fishing industry.
- **NFA Named as "Loss Payee" on the Insurance on Asset**: These key words need to be included in the insurance policy to protect the lender from loss or damage suffered to the debtor's collateral securing their loan regardless of the debtor's actions or inactions.

Usually, these security documents are sent to the client to sign after they have been approved for a loan and they have signed the Commitment Letter. These documents usually are accompanied by a formal Loan Agreement, a formal Security Agreement and, if the client does not wish to retain their own solicitor, a letter acknowledging this needs to be signed also.

Part 5: Is the Size of Loan You Want Right for You?

How do I make sure I'm not carrying too much debt?

Always figure out approximately how much debt you can comfortably carry BEFORE you decide on how much of a loan you need. If your debt level is already too high, you may not be approved for a loan, or if the vessel or gear you want to purchase requires a loan repayment burden that is too big for the income you make, you may not be approved for a loan.

In the finance sector this is called the debt-to-income ratio, and it should never be more than 30-35% of your household income (nowadays, if you pay for housing in a high-cost region this can increase up to 50% of your income). Included in this 30-35% is both your long-term and short-term debts like mortgages, rent, credit cards, vehicle loans, debts to fish-buying companies and other loan payments. Things like monthly utility bills, fuel and food costs are NOT included in this debt percentage.

NFA recommends thinking through the following four steps:

STEP 1: Figure out what the maximum recommended debt level (35%) is for your household income level. To illustrate, this table shows four levels of a borrower's income to illustrate the first step:

Income: $40,000/yr. = $3333/month	Maximum Household Debt: $14K/yr., or $1167/month
Income: $60,000/yr. = $5000/month	Maximum Household Debt: $21K/yr., or $1750/month
Income: $80,000/yr. = $6667/month	Maximum Household Debt: $28K/yr., or $2333/month
Income: $100,000/yr. = $8333/month	Maximum Household Debt: $35K/yr., or $2917/month
Income: $120,000/yr. =$10,000/month	Maximum Household Debt: $42K/yr., or $3500/month

STEP 2: Once you have an estimated amount of debt your household can handle – either by month or annual amount – start subtracting the debt payments you already have. For example, if there is a new truck loan payment of $700/month but no other housing or debt payments, AND you can realistically make a household income of $80K each year for the next five years, then you can manage another $1300/month in debt payments.

If, on the other hand, you have a vehicle loan payment, a rent/mortgage payment, and a loan with a fish company, you may not be financially eligible for another loan to repay. Although disappointing, this is the best scenario until you have paid off some debt.

STEP 3: Now that you know what approximate size of additional debt your household income can comfortably handle, you can consider the current loan/grant programs you are eligible for.

For the sake of illustration, let's say that your household income can handle repaying up to a $60,000 debt over 5 years ($1238/month or $15,470/year). A vessel worth $100,000 is within reach. First, if purchasing a vessel, always add $2500 for legal fees for vessel ownership transfer filings, then subtract a minimum of 10% of your own personal cash equity ($10,250), then subtract 40% of the project cost (minus legal fees) if you are eligible ($40,000), thus leaving you with a repayable loan of $52,250.

STEP 4: You are finally ready to get real estimates for your fishing project! Please be aware, however, that when it is known that Indigenous fishers have access to 40% discounted loan rates, suppliers and sellers often inflate prices. It is good to remember that the grants are meant to favour Indigenous fishers, not the non-Indigenous vendors they are buying from. Try to negotiate prices down to reasonable norms by comparing 2-3 estimates/quotes, even if you must get them from outside your local region. Make sure estimates are detailed and have a stated expiry date for the quote.

Part 6: What is Your Business Plan for the Next Few Years?

What is needed to show the skills and experiences I have gained over the years?

Fishing vessels are considered one of the most high-risk business assets. There are so many things that can go wrong from factors that may have nothing to do with the fisher/vessel owner. It is for this reason that fishing vessel loan decisions carefully consider the skills and experience a fisher has gained on other fishing vessels.

There are no minimum requirements per se. The fishing industry in BC is small enough that the NFA Loan Committee generally knows most of the boats, most of the skippers and, if they don't, they know who to ask. Listing the skippers who have taught you skills, as well as the type of vessels you have worked on in the past gives NFA a fairly accurate sense of the level of fishing skills and experience you will have as a vessel-owner.

An experienced, skilled fisher always anticipate how things can go "haywire" on a vessel and spends almost all their energy watching for and preventing, where possible, these things from happening. Going into debt for a high-risk business asset like a fishing vessel requires advanced ships husbandry skills (all aspects of maintenance, cleaning, upkeep of hull, engine, and equipment).

A good way to approach this section is to ask:

- Who first taught you how to fish? Who was your skipper back then and on what vessel, and for how many years? After that time, what skipper/vessel did you do your next stage of learning with? And so on…
- What skills, certifications and experience did you gain along the way? Did you get other certifications along the way (i.e., welding, diving, business management, etc.) that now benefits you as vessel owner?

What kind of Permits/Licences/Access/Contracts show that I am allowed to fish/conduct business?

For Indigenous fishers, this section can include the following:

- Any DFO-issued commercial fishing licences/quota in your name or attached to your vessel.
- Any DFO-issued commercial licence/quota that is held by an Indigenous entity or other licence-holder and is leased to you.
- Any DFO-issued contract (or sub-contract) for test fisheries, survey work, etc.
- Any FSC contracts from a BC First Nation (FN)
- Any FN-endorsed consent to harvest seafood in their marine territory that includes species and volume.
- Any FN-endorsed contract to do test fisheries or survey work, etc. in their marine territory.

- Any FN-endorsed contract to use your fishing vessel or gear for a FN community need.

For other shore-based fishing-related businesses, include contracts you may have, partnership agreements or other permits/licences necessary to carry out your business activities.

What is considered as my major expenses? How can I ensure my forecasted revenue is realistic?

Major expenses like fuel, bait, dockside monitoring, lease fees should be explained. These are called “operational” expenses, meaning, they are linked the ***activity*** of fishing (buying a boat or putting a new engine in a boat and increasing its value, these are called “capital” expenses). You can estimate major operational expenses by trip and then tell us how many trips you make in a season, or provide estimates linked to overall catch totals for the season.

Realistic revenue forecasts can often be a challenge as fishers are known for their optimism for “next season”. Call the buyers who will be purchasing your catch and tell them you need a conservative estimate for next year’s prices. If anything, they may be biased toward under-estimating but that’s alright; better to under-promise to start, and then over-deliver on prices!

What do I provide to show who is buying products/services from me?

If you only sell to fish companies who do their own marketing of your catch to domestic and international markets, just name the fish companies you sell to and what type and volume of catch you sell to them.

If you plan to sell to the public, restaurants, or other food services, explain your plan to set that up. If doing under commercial fishing, do you have the correct licences in place? If selling to other FNs or individual Indigenous buyers, can you provide letters or emails to verify their general commitment to a certain amount of volume or sales amount?

What do I include in my annual work calendar?

This is an example of an annual fishing calendar for a full-time fisher, involved in four fisheries:

MONTH	HERRING GILLNET	PRAWNS	HALIBUT	SALMON
Jan	Securing leases for goal of XXt catch	Securing licence lease(s)	Securing tab and XX,000lbs quota	Securing licence lease
Feb	Skiff and Net prep			
Mar	Fishing Goal of XX,000lbs plus clean up		Late March/early April: 8-10 days food fishing north/central coast	
Apr		Vessel/gear prep		
May				

Jun		Fishing Goal of XX,0000 lbs (stacker) plus clean up	Fishing goal of XX,000 lbs in 5-6 day trips from Pr. Rupert	
July				Financial “bonus” only: sockeye and north chum openings in Straits
Aug				
Sept				South chum plus 25-day salmon test charter by Oct XX
Oct				
Nov	Vessel haul-out and repairs	Vessel haul-out and repairs	Vessel haul-out and repairs	Vessel haul-out and repairs
Dec				

What kind of loan repayment plan would suit my business model best?

TERM OF LOAN REPAYMENTS: We always recommend starting the calculation of loan repayments by assuming a 5-year schedule, as these are fishing boats. This can expand to 7 or 8 years if loan payments become a struggle due to unforeseen circumstances. A vessel loan never goes beyond 10 years. As anyone who owns a boat will tell you, even one year with reduced maintenance can sometimes render a boat unusable so the sooner a boat loan is paid off the better.

PAYMENT FREQUENCY: You can choose to make monthly, quarterly, or annual payments on your loan. This should coordinate with the frequency of how often your household receives its income. For example, an annual payment makes sense if your only income is fishing income, and this comes in a lump sum predictably in a certain month of the year. An annual loan payment scheduled for the month after makes sense.

However, nowadays, many people either fish multiple fisheries and their fishing income is staggered throughout the year, or they have other household income that is received monthly. If in doubt, remember that the more frequent the payment, the more aware you are of the commitment to it and, therefore, more likely to stay on top of making payments in full and on time.

INTEREST RATE: This is a set rate by the lender. Right now (2024), NFA offers loans at 8.75% variable interest rate, compounded monthly, given the recent fluctuation of rates by the Bank of Canada. This can change, so always check in with the lender about their current interest rate before you start calculating the amount of additional loan payment a borrower can handle.

How do I ensure I have the right kind of insurance for my business activity?

Getting the right insurance for your fishing activity is important for two reasons. The first, of course, is that if there is any damage or loss and you need to make a claim, you want no obstacles to being paid out from the insurance company. Secondly, if your loan application is approved based on using the vessel as collateral, NFA requires that they be named “first payee” in the event of damage or loss to the loan amount owing, and that proof of that is submitted annually until the loan is paid is fully repaid.

If you have had vessel insurance denied or cancelled due to non-payment, insurance will be considerably higher. This is why NFA asks, as a part of the loan application process, for the applicant to get the insurance company to provide the terms and a quote for the vessel insurance.

Part 7: Appeals and Arrears Processes

If I want to appeal a denied loan application, how do I do that?

When a loan application is denied, NFA clearly outlines the specific reasons in an email to the applicant, with the Loans Committee included in that email.

An applicant is always welcome to re-submit a loan application if those specific reasons for denial have been addressed. A loan application is only two questions, and answers to these can change with time:

1. At this point in your life, are you ready to be a borrower? and
2. Is the size of the loan right for you?

If your financial situation improves so that you are more ready to be a borrower, or you can adjust the size of the loan so you can manage the loan repayments easier, then NFA welcomes a “fresh look” at an applicant who has been previously denied.

What will happen if my loan repayments are in arrears?

It is NFA policy to pursue a sensitive, but firm and strictly controlled ‘action plan’ with respects to accounts in arrears. Not only does NFA care about their own financial integrity, but borrowers should also be concerned about their financial integrity – when arrears get out of control, it can negatively affect credit scores, and prevent a borrower from future business loans, grants and other opportunities.

1. Arrears can be prevented by setting up high lending standards, and ensuring the applicant understands well the logic behind those high standards (hence, tools like this Guide)
2. When arrears happen, NFA reaches out to determine the reasons behind the arrears; this often dictates the best approach to resolving the arrears, with cooperation of the borrower.
3. Once a strategy is agreed on, NFA will maintain regular contact with the borrower to support their commitment to the plan to “catch up”.

Understanding the reason a borrower has not made payments guides NFA in how to proceed. Depending on whether a borrower has overlooked a payment, is unwilling to make a payment or is unable to pay, NFA will take an approach the collection of debt accordingly. NFA may amend the terms of the loan, repossess the asset under security, contact fishing companies to have payments diverted or send the loan to a third-party collection service. Please contact the NFA office for further information on policies regarding collecting loan payments in arrears.