

Interest-free loans now available for small businesses ineligible for other COVID-19 federal relief programs

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Prime Minister Justin Trudeau announcing the new Regional Relief and Recovery Fund in Ottawa on May 13, 2020. The funding is intended to support businesses impacted by COVID-19 that have been unable to access other federal government relief programs. (Screenshot / CPAC)

Small and medium-sized businesses across southern Ontario that haven't been eligible for other federal government COVID-19 business relief programs now have another option.

On Wednesday (May 13), Prime Minister Justin Trudeau announced the federal government's new \$1-billion Regional Relief and Recovery Fund (RRRF) for businesses across Canada.

In southern Ontario, \$252.4 million will be available for businesses that do not qualify for already announced programs, such as the wage subsidy program, the Canada Emergency Business Account, and the Business Credit Availability Program.

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These businesses could include sole proprietorships and those that do not have a payroll system, or businesses that were declined support under existing federal relief programs for other reasons.

The RRRF will be administered by FedDev Ontario in partnership with Community Futures Development Corporations (CFDC) across the region including — in the Kawarthas — Community Futures Peterborough, Kawartha Lakes CFDC, Northumberland CFDC, Haliburton County CFDC, and CFDC of North & Central Hastings & South Algonquin.

“We have shared the messages from our small businesses that many just don’t fit into the programs the government has rolled out thus far,” says Gail Moorhouse, executive director of Community Futures Peterborough. “The Regional Relief and Recovery Fund will address the needs of the sole proprietor and main street businesses that are vital to renewing our local economy.”

Of the \$252.4 million in the RRRF, \$213 million will be available for small and medium-sized businesses facing financial pressure because of COVID-19, and \$39.4 million will be available for rural businesses that need access to capital and technical support.

The \$213 million in funding will be delivered by FedDev Ontario and is available for Canadian or provincially incorporated businesses, co-operatives, or indigenous-owned businesses located in southern Ontario with 1 to 499 full-time equivalent employees. The businesses must have been viable before the COVID-19 pandemic and plan to continue to operate their business or resume operations, but face funding pressures with fixed operating costs as a result of COVID-19.

Two funding options are available through FedDev Ontario. The first is an interest-free loan of up to \$40,000, with no payments required until December 31, 2020. Up to 25 per cent (up to \$10,000) of the loan will be forgiven if 75 per cent (up to \$30,000) is paid back by December 31, 2022. If 75 per cent is not repaid by December 31, 2022, the balance of the loan will be converted to a three-year loan with a fixed repayment schedule, with full payment required no later than December 31, 2025.

The second funding option available exclusively through FedDev Ontario is a fully repayable interest-free loan of up to \$500,000, with no payments required until December 31, 2022.

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The \$39.4 million in funding for rural businesses will be delivered by local CFDCs, and will be focused on “main street” businesses such as retail shops, restaurants, corner stores and other businesses of strategic importance to their communities.

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The amount of the loan will be based on three months of eligible costs, or \$40,000, whichever is less.

Eligible businesses for CFDC loans must have been established prior to March 1, 2020, must be adversely impacted by the COVID-19 pandemic, must be viable and not experiencing other financial difficulties prior to March 1, 2020, and must have attempted to access other federal relief support programs and were ineligible, rejected, or require funding for expenses that have not been supported.

Priority will be given to applicants who were ineligible or rejected from other federal relief supports. A business may apply to both FedDev Ontario and a CFDC, but cannot receive RRRF funding from both. Businesses that require more than \$40,000 should apply directly to FedDev Ontario rather than their local CFDC.

For all RRRF loans, eligible fixed operating costs include capital lease payments, salaries and benefits or wages, property taxes, utilities, bank charges and interest payments, professional fees, monthly insurance payments, and rent.

Applications will be reviewed on a first-come, first-served basis until RRRF funding is fully committed.

For more information, including how to apply, visit FedDev Ontario's website at feddevontario.gc.ca/eic/site/723.nsf/eng/h_02581.html.