

**CHAPTER 345**

## GUARANTEE OF LOANS (SMALL BUSINESSES)

**GUARANTEE OF LOANS (SMALL BUSINESSES)  
REGULATIONS, 1998**

S.I. 59/1998

## (SECTION 20)

*[Commencement 1st October, 1998]*

1. These Regulations may be cited as the Guarantee of Loans (Small Businesses) Regulations, 1998. Citation.
2. In these Regulations — Interpretation.
- “prime rate” means —
- (a) the rate set by commercial banks in The Bahamas in conjunction with the Central Bank of The Bahamas for lending to prime customers; or
  - (b) where there is no such rate set, the rate charged by the Royal Bank of Canada for lending to its prime customers.
- “project cost” includes working capital, the cost of any building, plant, furniture or equipment, stamp tax, legal and recording fees, insurance fees, interest on advances, premium fee and other costs, (excluding any administrative fee) related to the project in respect of which the loan is sought.
3. An approved lender who is prepared to make a guaranteed loan to a borrower shall submit to the Minister a copy of the borrower’s loan proposal in the form GLSM-100, the application for a guaranteed loan in the form GLSM-200 and a Request for Undertaking-to-Guarantee in the form GLSM-300 specified in the First Schedule. Submission of Application.
4. The rate of interest chargeable by an approved lender and payable by an approved borrower on any loan shall not exceed the prime rate plus two per centum. Interest rate on Guaranteed Loan.

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Consideration of  
Application by  
Minister.

**5.** If the Minister approves the application with or without an amendment, an Undertaking-to-Guarantee shall be issued to the approved lender in the form GLSM-400 specified in the First Schedule.

Return of  
application and  
loan proposal.

**6.** Where an application has been refused or withdrawn, the Minister shall return to the approved lender the application for a guaranteed loan referred to in regulation 3 and the loan proposal.

Inspection of  
business  
premises.

**7.** Where an approved lender has agreed to make a loan to a borrower for the commencement or expansion of a small business, the business premises may be inspected by the Minister.

Lender to search  
title.

**8.** The approved lender shall be responsible for the investigation of the title of the property, the making of the loan and the taking of security therefor, and all things reasonably necessary to protect the security, all in accordance with normal mortgage practice.

Defects in title.

**9.** If prior to granting a guaranteed loan, an approved lender discovers a defect in the title to the property used to secure the loan, he may request the approval of the Minister to accept such defect and the Minister may accept such defect if he is satisfied that the defect will materially affect the realisation of the security.

No discount of  
commission.

**10.** An approved loan shall be made at not less than par by the approved lender to the borrower, and the borrower shall not be subjected to a charge in the nature of a discount or commission.

Request for issue  
of guaranteed  
loan policy.

**11.** When the approved loan has been made to the borrower, the approved lender shall forward to the Minister a Request for a guaranteed loan policy in the form GLSM-500 specified in the First Schedule together with a remittance in the amount of the premium payment within ninety days after the last advance to the borrower by the approved lender, and except reasons are given in writing for any further delay the undertaking-to-guarantee may be cancelled.

Issue of  
guaranteed loan  
policy.

**12.** (1) On receipt of such form and fee as is mentioned in regulation 11, the Minister shall issue to the approved lender a guaranteed loan policy in the form GLSM-600 specified in the First Schedule.

(2) When the guaranteed loan policy has been issued by the Minister under paragraph (1), the approved lender may lodge the mortgage deed duly executed in connection with the approved loan with the Minister who shall thereupon stamp the same with an official stamp bearing the words “Guaranteed by the Government of the Commonwealth of The Bahamas” and return it to the approved lender.

**13.** The monthly instalment to be paid by the borrower shall be sufficient — Monthly Instalment.

- (a) to amortize the principal and interest of the approved loan in accordance with the terms and conditions of the loan;
- (b) to provide an amount equal to one-twelfth of the annual charges in respect of the insurance required by section 9(f) of the Act.

**14.** Where during the term of a guaranteed loan, prepayment of the principal is made by the borrower, the approved lender may waive the interest charges payable in lieu of any notice provided in the mortgage securing the guaranteed loan. Prepayment of principal.

**15.** Except as provided in regulation 14, an approved lender shall not alter the terms of prepayment of a guaranteed loan without the prior written approval of the Minister nor permit any derogation in the rights of the approved lender against any mortgaged premises by way of postponement, partial discharge or otherwise without the approval of the Minister. Term of prepayment not to be altered.

**16.** An approved lender shall not, without prior written approval of the Minister, release any collateral, security or personal covenant taken as further security for a guaranteed loan which was subject to the taking of such further security. Collateral or security not to be released without approval of Minister.

**17.** (1) Within sixty days after the end of each quarter, March, June, September and December of each year, the approved lender shall deliver to the Minister a list of all loans administered by the approved lender for which a premium payment has been remitted to the Minister for the period and the amount outstanding in respect of each loan in Part I of form GLSM-700 specified in the First Notice of outstanding amounts on loans.

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Schedule and a list of all loans thirty days or more past due in Part II of form GLSM-700 specified in the First Schedule.

(2) In addition to paragraph (1) within sixty days after the thirty-first day of December of each year, the approved lender shall deliver to the Minister a list of all guaranteed loans administered by the tender and the amount outstanding in respect of each loan.

Sale of mortgaged property.

**18.** In any case where the power of sale contained in a mortgage securing a guaranteed loan is exercised pursuant to section 18 of the Act and the property is sold at a price equal to or in excess of the amount of the principal, interest and other charges outstanding, the approved lender shall forthwith —

- (a) advise the Minister that any and all claims which the approved lender may have had under the said mortgage on premises or chattels have been fully paid and satisfied; and
- (b) advise the Minister of the disposition of any excess proceeds from the sale.

Claim of difference between settlement value and sale price.

**19.** In the event of the sale of the mortgaged property or chattels pursuant to section 18 of the Act, the approved lender shall forthwith submit a claim in the form GLSM-800 specified in the First Schedule for the difference between the sale price and settlement value of the property or chattels and the Minister shall, within sixty days of the receipt by him of such claim, pay to the approved lender the loan amount payable by him under the guaranteed loan.

Approval of disbursement borrower's charges.

**20.** A borrower's charges shall be deemed to be approved if disbursed by an approved lender in accordance with the terms of the mortgage to safeguard the interest of the approved lender and the Minister, for insurance premiums for fire and other insurable risks, as defined in the Second Schedule, for insurance premiums against death during the term of the loan, for taxes and other charges levied against the property which have priority over the mortgage, and for such other purposes and in such other amounts as may be approved in writing by the Minister.

**FIRST SCHEDULE**

		REGULATION
GLSM-100	Borrower’s Loan Proposal	3
GLSM-200	Application for Guaranteed Loan	3
GLSM-300	Request for Undertaking-to-Guarantee	3
GLSM-400	Undertaking-to-Guarantee	5
GLSM-500	Request for Guaranteed Loan Policy	11
GLSM-600	Guaranteed Loan Policy	12
GLSM-700	Quarterly Declaration of Credit Balance	17
GLSM-800	Claim Form	19

**GLSM-100**

**BORROWER’S LOAN PROPOSAL**

THE GUARANTEE OF LOANS (SMALL BUSINESSES) ACT, 1998

Approved Lender: .....

**SECTION A**

**APPROVED TERMS AND CONDITIONS OF LOAN**

Borrower’s Name: ..... Monthly Debt Service .....

Loan Amount: \$ ..... Principal & Interest: \$ .....

Insurance-Life: .....

Rate of Interest (Prime + %): ..... Insurance — Hazard: .....

Other: .....

Period of Repayment: ..... TOTAL MONTHLY DEBT SERVICE .....

Premium Fee: \$ .....

Date of first payment: .....

Special Conditions: .....

.....

.....

.....

**SECTION B**

Legal Name of Business: ..... Trading as: .....

.....

Business Address No.: ..... Fax No.: .....

Key Contact Person: ..... Contact Telephone No.: .....

.....

Business Address: ..... Business Mailing Address: .....

.....

Business Structure: ..... Sole Proprietorship ..... Partnership Association  
 ..... Private Company ..... Co-operative

Description of Business: ..... Agriculture ..... Manufacturing ..... Fisheries  
 .... Transportation ..... Touristic Development  
 ..... Services ..... Other

Date Business Established: .....  
 Gross Sales or Revenue Last Year: \$ ..... Financial Year End: .....  
 Main Business Premises: ... Leased .... Owned  
 If Leased Expiry date of Lease: ..... Monthly Lease Amount: \$ .....  
 If Owned — Monthly Mortgage: \$ ..... Mortgage Maturity Date: .....

**SECTION C**

**PERSONAL AFFAIRS STATEMENTS AS AT** .....

Main Bankers: ..... Branch: .....  
 Type of Accounts Conducted: ... Current Account .... Saving Account .... Loan Facility ...  
 .....Other (Explain)

**BALANCE SHEET**

**ASSETS**

Land & Building(s) \$.....  
 \$.....  
 \$.....  
 \$.....  
 \$.....  
 Machinery & Equipment \$.....  
 \$.....  
 Motor Vehicles/Boats \$.....  
 \$.....  
 Cash: C/A, Savings \$.....  
 Fixed Deposits .....  
 Accounts Receivable .....  
 Inventory .....  
 Stocks & Bonds .....  
 Other Assets .....

**TOTAL ASSETS** \$ .....

**INCOME STATEMENT**

**ANNUAL INCOME**

Employment Income \$.....  
 Spouse’s Income \$.....  
 Interest & Dividends \$.....  
 Rental Income \$.....  
 Child support/Alimony \$.....  
 Other Income (Bonus) \$.....  
**TOTAL INCOME** \$.....

**ANNUAL EXPENSES**

Mortgage/Lease Payments \$.....  
 Property Taxes \$.....  
 Vehicle Payments \$.....  
 Child Support/Alimony \$.....  
 Credit Card Payments \$.....  
 Utility Payments \$.....  
 Tuition/Vacation Expenses \$.....  
 Interest Payments on Loans \$.....  
 Other payments \$.....

**TOTAL EXPENSES:** \$ .....  
**INCOME SURPLUS/ (DEFICIT)** \$.....

**LIABILITIES**

Overdraft Facilities \$.....  
 Bank Loans \$.....  
 Mortgage Loans \$.....  
 Property Taxes \$.....  
 Credit Card Debts \$.....  
 Other Debts \$.....  
**TOTAL LIABILITIES** \$ .....  
**NET WORTH** \$.....



**SECTION E(i)**

**STATEMENT OF PROFIT/LOSS**

	IMMEDIATE PAST YEARS			PROJECTED YEARS		
	YEAR 1	YEAR 2	YEAR 3	YEAR 1	YEAR 2	YEAR 3
<b>INCOME</b>						
Sales						
Cost of Sales						
<b>Gross Profit</b>						
<b>EXPENSES</b>						
Salaries & Wages						
Utilities						
Repairs/Maintenance						
Insurance (NIB/General)						
Rent/Lease						
Travel/Transportation						
Professional Fees						
Advertising						
Loan Interest						
Other						
Depreciation						
Bad Debt/Expense						
<b>TOTAL EXPENSES</b>						
<b>NET PROFIT (LOSS)</b>						

**SECTION E(ii)**

**STATEMENT OF CASH FLOW**

	IMMEDIATE PAST YEARS			PROJECTED YEARS		
	YEAR 1	YEAR 2	YEAR 3	YEAR 1	YEAR 2	YEAR 3
<b>CASH FLOW</b>						
<b>1. Operations</b>						
Net Profit						
Depreciation						
(Increase)/Decrease in Accounts Receivable						
(Increase)/Decrease in Inventory						



	IMMEDIATE PAST YEARS			PROJECTED YEARS		
	YEAR 1	YEAR 2	YEAR 3	YEAR 1	YEAR 2	YEAR 3
(Increase)/Decrease in Accounts Payable						
<b>Cash From Operations</b>						
<b>2. Financing</b>						
Bank Loan Proceeds/Borrowings						
Loan Repayment						
Share Issue Proceeds						
Dividends Retention/Payment						
<b>Cash From Financing</b>						
<b>3. Investing</b>						
Asset Acquisition						
Deposits & Other Assets						
<b>Cash From Investing</b>						
<b>NET CASH FLOW</b>						

**BORROWER’S DECLARATION**

I/We hereby represent, warrant and confirm that all foregoing statements are true and correct and have been made by me/us knowing you will rely thereon in considering the above mentioned application.

I/We authorise you to obtain any information you may require relative to this application form from my/our employer, if any, and from any other source to which you may apply, each source being hereby authorised by me/us to provide you with such information. I/Wwe undertake to notify the Bank immediately of any situation which materially changes the representation of this application.

Signature: ..... Signature: .....  
 Date: ..... Date: .....

**GLSM-200**

**APPLICATION FOR A GUARANTEED LOAN**

THE GUARANTEE OF LOANS (SMALL BUSINESSES) ACT,  
 1998

Name of approved lender: .....  
 Branch Office: .....

Under the terms of the above Act, we hereby apply for a Guarantee in respect of a credit facility of ..... Bahamian Dollars.

Name of Borrower: .....

If a Company, Registered .....

Telephone No. of Borrower: .....

Address of Borrower: .....

P.O. Box of Borrower: .....

1. Name of Proprietors, Partners, Directors .....

.....

.....

Nature of Business: .....

Date of establishment: .....

Is borrower a new client: YES ..... NO .....

2. Particulars of Loan to be guaranteed:

(i) Purpose of Loan: .....

(ii) Specific project cost for which loan is to be used:

Working Capital ..... \$ .....

Building/Plant ..... \$ .....

Tools & Equipment ..... \$ .....

Legal Fees, Recording

and

Stamping ..... \$ .....

Insurance - Hazard ..... \$ .....

Life ..... \$ .....

Interest on Advance (UP TO ONE

(1) YEAR) ..... \$ .....

Premium fee ..... \$ .....

Other related cost ..... \$ .....

(iii) Terms of Loan:

(a) Amount of Loan: \$ .....

(b) Loan period: ..... Monthly payments: .....

(c) Loan amount to be guaranteed as a percentage of project cost: .....

(d) Rate of Interest to be charged on Guaranteed Loan:

3. Borrower's other existing indebtedness: \$ .....

Monthly commitments:\$ .....

4. Security:

Nature and value of security obtained: .....

.....

.....

5. Approved Lender's comments, if any: .....

.....

.....

.....

WE UNDERSTAND THAT THE TERMS AND CONDITIONS OF THE GUARANTEE OF LOANS (SMALL BUSINESSES) ACT AND INSTRUCTIONS ISSUED THERE UNDER BY THE MINISTER FROM TIME TO TIME SHALL BE BINDING ON US AND THE TERMS THEREOF SHALL BE DEEMED TO BE PART OF THE GUARANTEE, WE UNDERTAKE TO GIVE PROMPT NOTIFICATION OF ANY CHANGES MADE FROM TIME TO TIME IN THE TERMS AND CONDITIONS COVERING THE CREDIT FACILITY.

Authorized Signature .....

Date: .....

**GLSM-300**

**REQUEST FOR UNDERTAKING-TO-GUARANTEE**

GUARANTEE OF LOANS (SMALL BUSINESSES) ACT, 1998

Date: .....

Undertaking-to-Guarantee No.: .....

Approved Lender's Reference: .....

Guarantee No.: .....

To: Minister

Guarantee of Loans (Small Businesses)

From:

Borrower's Name(s) .....

Borrower's Address .....

We hereby request an Undertaking-to-Guarantee in respect of a loan for the starting/expansion of a small business pursuant to the Guarantee of Loans (Small Businesses) Act.

The following is enclosed:

1 copy of Borrower's Loan Proposal Form GLSM — 100

1 copy of Application Form GLSM — 200

.....  
Approved Lender

**GLSM-400**

**UNDERTAKING-TO-GUARANTEE**

GUARANTEE OF LOANS (SMALL BUSINESSES) ACT, 1998

To:..... Date:.....

Approved Lender

U.T.G. No.: .....

Lender's Reference: .....

Borrower's Name(s): .....

Borrower's Address: .....

We hereby undertake to issue a guarantee in respect of a loan to the above-mentioned borrower in accordance with and subject to the Guarantee of Loans (Small Businesses) Act, as well as the Guarantee of Loan (Small Business) Regulations,

in the amount of \$.....

plus premium fee \$.....

**TOTAL** \$

The Monthly Debt Service based on: ..... Year(s) amortisation is as follows:

Principal and interest at ..... % \$ ..... monthly

Insurance — Life \$ ..... monthly

Insurance — Hazard \$ ..... monthly

Other \$ ..... monthly

**TOTAL** \$

The Lending value of security is:

Land \$ .....

Building/Plant \$ .....

Tool and Equipment \$ .....

**TOTAL** \$

The business is to be operational within ..... months of this date and the loan funds have been applied as specified in the Application of Loan Guarantee Form GLSM-200.

.....  
 MINISTER RESPONSIBLE FOR  
 LOAN GUARANTEE SCHEMES

**GLSM-500**

**REQUEST FOR GUARANTEED LOAN POLICY**

THE GUARANTEE OF LOANS (SMALL BUSINESSES) ACT,  
 1998

To: Minister Date: .....

Guarantee of Loans (Small Approved Lender

Businesses) Reference: .....

From: .....

Undertaking-to-Guarantee No.: .....

We hereby request a guaranteed loan policy in respect of the small business loan covered by the above-referenced Undertaking-to-Guarantee. The business has commenced/expanded, the loan disbursed and particulars are as follows:

Borrower .....

Address of business: .....

Security held: .....

.....

Registration No. of Mortgage in Volume: ..... Pages .....to .....

Registration Date:..... 19 .....

Amount of loan (including premium payment): \$ .....

Amount Guaranteed:.....

Rate of Interest (Prime + %): .....

Amortisation Period: Years: ..... Months: .....

Maturity Date: .....

Title defects, if any: .....

.....

Premium Payment in the amount of \$ ..... is enclosed.

.....

Approved Lender

**GLSM-600**

**GUARANTEED LOAN POLICY**

THE GUARANTEE OF LOANS (SMALL BUSINESSES) ACT,  
1998

The Minister responsible for Loan Guarantee Schemes (hereinafter called the Minister), pursuant to the Guarantee of Loans (Small Businesses) Act and its undertaking-to-guarantee No. .... dated 19 ., hereby guarantees \_\_\_\_\_ (hereinafter called the approved

lender) a loan made and secured as follows:

Name of Borrower: .....

Address of Borrower: .....

Purpose of Loan Guarantee: .....

Property Description: .....

Guaranteed Loan No.: .....

Amount of Loan: ..... Interest Rate .....

Amount Guaranteed: .....

Period of Guarantee: ..... years Maturity Date ..... 19 .....

Title Defects if any: .....

.....

**NOTE:** In accordance with the terms and conditions of the Fund you are asked to read carefully and take note of the following:

- 
1. Premium: The liability to pay the premium shall be that of the APPROVED LENDER. The premium shall be payable in advance and shall be calculated at the rate of two per cent of the loan amount guaranteed.
  2. The Rate of Interest: The maximum rate of interest which the qualified borrower may be charged under the loan guarantee programme shall not exceed the prime rate plus two per centum.
  3. Extensions, Restructuring: All applications for the extension, or restructuring of loan guarantees should be received by the Minister not later than 14 days prior to the intended date of renewal, extension or restructuring, and should be accompanied by a fee of two per cent of any further charges.
  4. Obligations of the approved lender: The approved lender shall as far as possible, ensure that the loan granted under the Guarantee of Loans (Small Businesses) Act is used for the intended purpose. The approved lender shall refer to the Minister for approval of any changes in the terms and conditions of a loan guaranteed under the Guarantee of Loans (Small Businesses) Act including any changes which may affect the security of terms of repayment. The approved lender shall submit such returns or furnish such information as the Minister may require in connection with any loan guaranteed under the Guarantee of Loans (Small Businesses) Act. The approved lender shall comply with any reasonable instructions given by the Minister for the purpose of administering the Guarantee of Loans (Small Businesses) Act.
  5. Revocation and Termination: The Minister may take such action as is deemed fit and proper, including the revocation of the guarantee, if the approved lender fails to report without delay, all cases of misrepresentation of information and misuse of funds by the borrower.
  6. Where it is drawn to the attention of the Minister that the Borrower in respect of whom a loan is guaranteed under the Guarantee of Loans (Small Businesses) Act no longer fulfils the conditions of eligibility, the Minister may terminate the guarantee after giving reasonable notice to the approved lender.
  7. Where the liability in respect of the loan guaranteed is assigned or conveyed without the approval of the Minister, the guarantee in respect of the loan guaranteed under the Guarantee of Loans (Small Businesses) Act shall be terminated from the date of such assignment or transfer, unless the Minister makes a declaration to the contrary in writing.
  8. Special conditions (if any): The guaranteed loan extended to the qualified borrower is guaranteed by the Guarantee of Loans (Small Businesses) Act subject to the following conditions: .....



**PART II  
REPORT ON BORROWERS IN ARREARS**

GUARANTEE OF LOANS (SMALL BUSINESSES) ACT, 1998

<i>Name of Borrower</i>	Loan Guarantee Policy Number	Maximum Limit of Loan Guarantee	Maturity Date	Days Past Due	Amount in Arrears	Outstanding Balance	Recovery Efforts

TO: Minister  
P.O. Box  
Nassau, Bahamas

Name of Approved Lender: .....  
Branch Office: .....  
Authorized Signature: .....  
Date: .....

**\* Declarations must be submitted at the end of each quarter\* (i.e. March, June, September, December)**

**GLSM-800**

**CLAIM FORM**

THE GUARANTEE OF LOANS (SMALL BUSINESSES) ACT,  
1998

We hereby declare that on ..... we issued a notice of demand (Date)  
(see copy attached) to ..... calling in the undermentioned loan guaranteed

Name of Borrower



by the Guarantee of Loans (Small Businesses) Act. The qualified borrower is indebted to us in the amount of B\$ .....

In accordance with the terms and conditions of the Guarantee of Loans (Small Businesses) Act we hereby submit a claim in the amount of B\$ .....

**DETAILS OF CLAIM**

1. Name and address of qualified borrower: .....
2. Loan guarantee number: .....
3. Period of guarantee: .....
4. Type of facility guaranteed:.....
5. Maximum amount guaranteed: .....
6. Amount of loan in default: .....
7. Known or suspected reasons for default: .....
8. Description of security being held: .....
9. Name(s) of other guarantors, if any: .....
10. Amount of claim: .....

Principal .....

Interest .....

Other .....

Approved Lender

.....  
 Authorised signature of Lender

Claim approved this ..... day of ..... 199 .....

.....  
 Minister

.....  
 Date

**SECOND SCHEDULE (Regulation 20)**

**INSURABLE RISKS**

1. Fire, lightning, thunderbolt, subterranean fire.
2. Explosion.
3. Riot, civil commotion, strikes, labour disturbances, malicious mischief or vandalism.
4. Aircraft and other aerial devices and/or articles dropped therefrom.
5. Bursting or overflowing of water tanks, apparatus or pipes (excluding damage caused thereto).

6. Theft.
7. Hurricane, cyclone, tornado or windstorm.
8. Earthquake and volcanic eruption.
9. Flood (including overflow of the sea).
10. Impact with any of the building by vehicles, horses or cattle not belonging to or under the control of the insured or any member of his family.