



FINANCIAL ADMINISTRATION MANUAL



Issue Date: September 2009	Effective Date: Immediate	Responsible Agency: Comptroller General	Directive No: 907
Chapter: Accounting and Control of Revenue			
Directive Title: CREDIT GRANTING AND CONTROL			

1. POLICY

Under the authority granted by S.4 (1) and S.54 of the *Financial Administration Act (FAA)*, the Government may grant credit when it is necessary to fulfill the policy objectives of the Government or where the repayment and other conditions are set out in legislation, regulations or an agreement.

2. DIRECTIVE

In cases where separate legislation does not apply, the Government may grant credit to individuals and organizations when there is a reasonable expectation that repayment will occur or where it is required to meet the policy objectives of the Government.

The granting of credit is to be avoided whenever possible. The Government may refuse to provide credit unless it is required by legislation.

3. PROVISIONS

3.1. Types of credit

- 3.1.1. Programs that grant credit are generally covered under separate legislation. The policies of the program will determine who will qualify for credit.
- 3.1.2. When not specifically covered under separate legislation, the Government has complete discretion in determining whether or not it will provide credit and under what terms it will be granted.

3.2. Credit Information

- 3.2.1. Program Managers are responsible to determine the credit worthiness of organizations or individuals prior to granting them credit.
- 3.2.2. In determining credit worthiness, the relationship between the Government and the recipient is to be considered. This includes

assessing the history of the recipient in meeting the terms of previous arrangements.

- 3.2.3. In determining the credit worthiness of individuals and organizations, due diligence must be carried out before credit is granted. Some factors to consider are:
- a) the financial strength of the individual or organization including current debt load and perceived ability to repay;
 - b) the qualifications and character of the individual, board members or other key decision makers;
 - c) the appropriateness of the project in relation to the department's business plan;
 - d) whether government assistance is appropriate or are there other sources of funding that would be more appropriate; and
 - e) whether the organization has unpaid amounts or past amounts written-off owing to the Government or others.
- 3.3. Documentation
- 3.3.1. Departments are responsible for documenting the information used in determining the credit worthiness of individuals or organizations to which credit is granted.
- 3.3.2. In situations where credit is granted because it is essential to fulfill the policy objectives of the department, an explanation of the circumstances surrounding the granting of credit must be documented.
- 3.4. Credit Terms
- 3.4.1. Unless provided for in legislation, interest rates and credit terms should comply with Directive 915 and the Interest Rate Regulations (Regulation 9913).
- 3.4.2. All loans granted must comply with the provisions of FAM Directive 911-1 Loans and Advances
- 3.5. Monitoring
- 3.5.1. Departments are responsible for collecting amounts owing to the Government and must follow the provisions of Directive 908.