



FAQs: Business Continuity Credit Facility

Introduction

This document provides answers to common questions on the **Business Continuity Credit Facility** (Credit facility) being implemented under Phase II of the Government's COVID-19 Economic Response Plan. It should be read in conjunction with the factsheet [Business Continuity Credit Facility](#) available on the MFEM website.



General

When does the Credit Facility start?

Applications open on 10 July 2020 and close on 30 September 2020.

Is my business eligible for this measure?

If your business is a company, partnership or sole trader, registered with the Revenue Management Division (RMD) and the Cook Islands Superannuation Fund (CINSF), operating in the Cook Islands, up to date with your tax returns, and has received a June 2020 or July 2020 payment under the COVID-19 Wage Subsidy or Training Support measures, your business should be eligible. Your business also needs to be viable.

What do you mean by business viability?

To be eligible for the Credit Facility your business must be viable, and you must have a plan to ensure it remains viable. This generally means the directors or owners have good reason to believe it is more likely than not the business will be able to pay its debts as they fall due within the next 24 months. Your accountant may be able to provide this advice.



The Credit Facility

What is the maximum loan I can take out?

The standard maximum size of the loan you can get depends on the number of full-time-equivalent (FTE) employees calculated from your wage subsidy funding. It is \$12,500 plus \$2,000 per FTE employee up to a maximum loan of \$312,500. A higher loan maximum may be considered in exceptional circumstances.

How do I apply for a business continuity loan?

You must login to your employer CINSF account once applications open to apply for a loan by completing the Business Continuity Credit Facility Loan Application.

Will I automatically get a loan if I apply?

As long as you meet the eligibility requirements set out in the online application, provide the required commitments and documentation, and successfully open a Bank of Cook Islands loan account, you should be approved for a business continuity loan.

From whom am I getting the loan?

The loan is from the Government, and you will be required to enter into a legal contract with the Government in order to receive the loan. You will receive the loan payment from and make repayments through the Bank of the Cook Islands.

What can I spend the loan on?

The loans are intended to cover 'everyday' financing to assist businesses to meet costs such as payroll, rent, insurance and other ongoing needs. The one-off credit is available on a short-term basis, providing some cashflow support for businesses which have been hit hard by the downturn and are struggling to meet their fixed costs.

How long do I have to repay the loan?

You will have 4 years (48 months) to pay off the loan, but you can pay it off earlier to save on interest charges.

What is the loan interest charge?

Loans will be subject to an annual interest rate of 3 per cent from the date it is provided by us. During the loan period, the following general rules apply:

- if you repay the loan in full within 12 months you will only be charged interest at an annual rate of 1 per cent;
- if you do not repay the loan in full within 12 months, you will be charged interest at the annual rate of 3 per cent for the entire term of the loan until your loan is fully discharged;
- repayments are not compulsory in the first 24 months, but voluntary payments can still be made over this period;
- after 24 months, you will be required to make regular payments of both the principal and interest.

What if get behind in my compulsory repayments?

If you fall behind on your compulsory repayments, which start after 24 months, you will be subject to a penalty interest rate of 10 per cent rather than the standard 3 per cent annual rate.

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