

Credit Guarantee Corporation

banking info

INFO PERBANKAN

GENERAL
INFORMATION

Credit Guarantee
Corporation

A consumer education programme by:



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA



PERSATUAN BANK BANK DALAM MALAYSIA
THE ASSOCIATION OF BANKS IN MALAYSIA

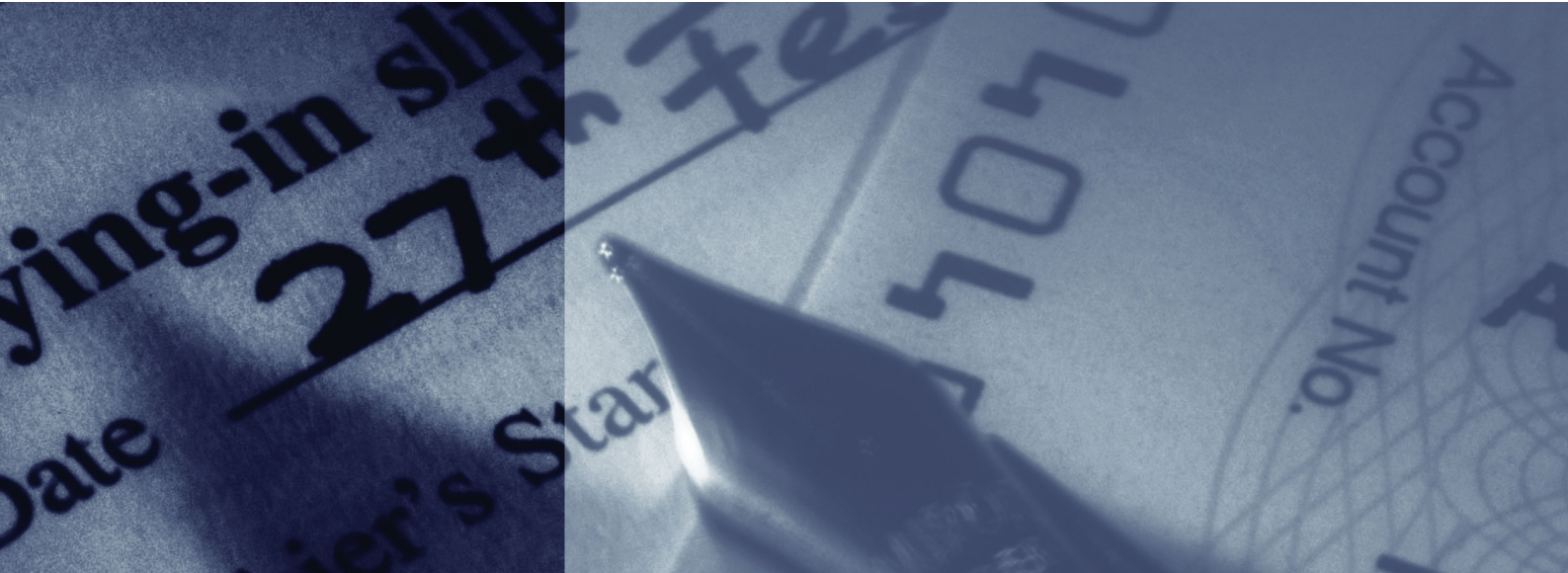
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Disclaimer

This document is intended for your general information only. It does not contain exhaustive advice or information relating to the subject matter nor should it be used as a substitute for legal advice.

Date: 1 March 2004



This booklet provides information on the **various schemes** offered by CGC to SMEs

Introduction

To ensure that small and medium enterprises (SMEs) have access to financing, Bank Negara Malaysia together with the commercial banks and finance companies have established the Credit Guarantee Corporation Malaysia Berhad (CGC) to provide guarantee cover for SMEs.

This booklet provides information on the various guarantee schemes and services offered by CGC to SMEs and explains how SMEs can apply for such schemes.



ROLE OF CGC

CGC was established on 5 July 1972. The main objective of CGC is to assist SMEs that have no track record or collateral, or inadequate collateral, to obtain credit facilities from financial institutions by providing guarantee cover for such facilities.

TYPES OF GUARANTEE SCHEMES OFFERED BY CGC

CGC offers six types of guarantee schemes:

- Direct Access Guarantee Scheme (DAGS)
- New Principal Guarantee Scheme (NPGS)
- Islamic Banking Guarantee Scheme (IBGS)
- Flexi Guarantee Scheme (FGS)
- Small Entrepreneur Guarantee Scheme (SEGS)
- Franchise Financing Scheme (FFS)

The features and eligibility criteria of the specific schemes offered by CGC can be found in the CGC website at www.iGuarantee.com.my. Alternatively, you may wish to contact any of the CGC branches nationwide for the information.

WHERE TO APPLY FOR CGC GUARANTEES

There are 2 ways to apply for CGC guarantees and this will depend on the types of schemes involved:

| Types | Application via |
|--------------------------|--|
| DAGS | <ul style="list-style-type: none">• CGC branches |
| Other Schemes (Non-DAGS) | <ul style="list-style-type: none">• The participating financial institutions |

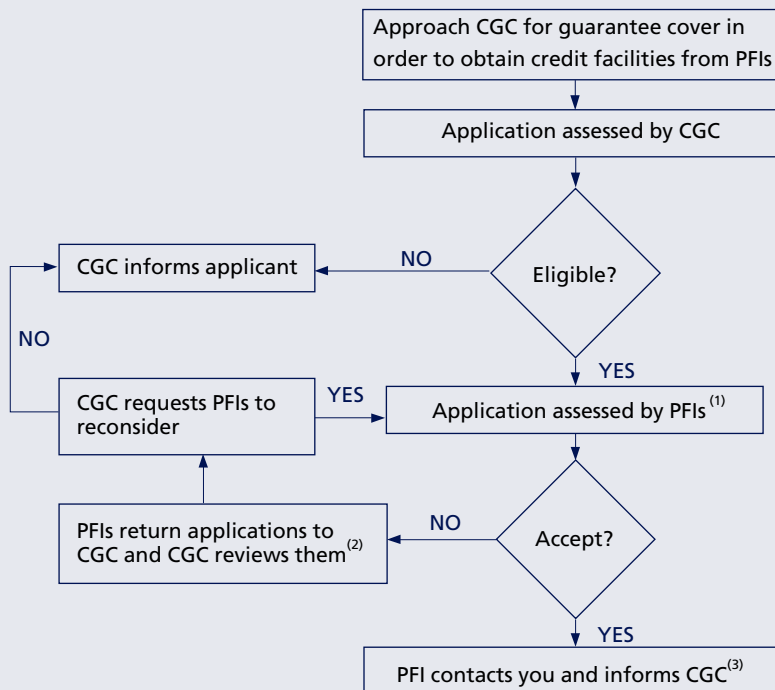
DIRECT ACCESS GUARANTEE SCHEME (DAGS)

How To Apply for DAGS

To obtain a credit facility under DAGS, you can approach the CGC branch nearest to you. When you apply for DAGS, CGC will assess your application and if you are able to meet the criteria, CGC will assist you to obtain the loan from the participating financial institutions. The list of participating financial institutions for DAGS is given in the Appendix. The processes involved are shown in diagram A on page 4.

The **main objective** of CGC is to assist SMEs that have no track record or collateral to obtain credit facilities

DIAGRAM A: Steps to apply for DAGS



Note: PFI = Participating Financial Institution

- (1) If you meet the requirements of CGC, CGC will forward a letter of undertaking and relevant documents to all participating financial institutions for assessment.
- (2) The participating financial institutions may reject your application and forward it back to CGC. If CGC feels that your application merits reconsideration, CGC will request the participating financial institutions to reassess your case.
- (3) Upon approval of the application, the participating financial institution will forward a letter of offer via its nearest branch to you. The participating financial institution will also inform CGC about it.

DOCUMENTS REQUIRED

Below is the list of documents that CGC will require from you when you apply for DAGS:

Statutory Documents

- Memorandum & articles of association
- Certificate of incorporation (Form 9)
- Return of allotment of shares (Form 24)
- Return giving particulars in register of directors, etc. (Form 49)
- Photocopies of directors'/guarantors' IC
- Copy of latest income tax (Form J) of owner/partners/directors

Financial & Management Documents

- Audited financial statements for the last 3 years
- Latest management account
- Cash flow projection for the next 3 years

- Copy of bank statement for the last 6 months
- List of existing borrowing(s)
- List of major customers and suppliers together with repayment schedule
- Copy of 6 months personal and business loan bank statements/personal loan payment receipts for owner/partners/directors
- Copy of letter of offer of existing loan, including hire purchase
- Company profile

Other Documents

- Declaration form duly filled by all directors
- Valuation reports on property to be charged (if any)
- Copy of tenancy agreement/title deed
- Profile of main contractor*
- List of contract-in-hand*
- Latest purchase order*

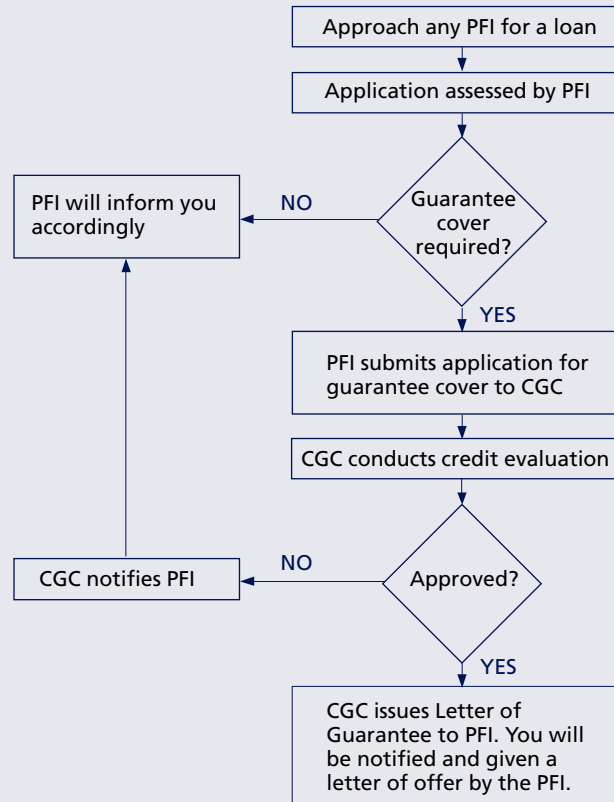
*if applicable

SCHEMES OTHER THAN DIRECT ACCESS GUARANTEE SCHEMES (NON-DAGS SCHEMES)

How To Apply for Non-DAGS Schemes

When you apply for a loan from a participating financial institution, the participating financial institution will evaluate your loan application and will recommend that you obtain a guarantee cover from CGC, if necessary. List of participating financial institutions for non-DAGS is given in the Appendix. The processes involved are as follows:

DIAGRAM B: Steps to apply for non-DAGS schemes



Note: PFI = Participating Financial Institution

iGUARANTEE: ONLINE LOAN APPLICATION VIA CGC WEBSITE

iGuarantee provides a convenient one-stop centre for loan applications from SMEs. In iGuarantee, you submit your loan application through CGC's portal by completing the application form provided in the portal. Your loan application will be posted on CGC's portal, which can be accessed by all participating financial institutions. The participating financial institutions may contact you to seek further information before they decide to approve your application.

iGuarantee can help you to save both time and money as you do not have to travel to different financial institutions and complete multiple loan applications. In addition, you will be able to obtain competitive offers on your loan application. The processes involved are shown on page 8.

DOCUMENTS REQUIRED FOR LOAN APPLICATION

Most participating financial institutions require certain documents to support your loan application. In addition to the documents required on page 5, the participating financial institutions may require the following documents as well:

Company Information

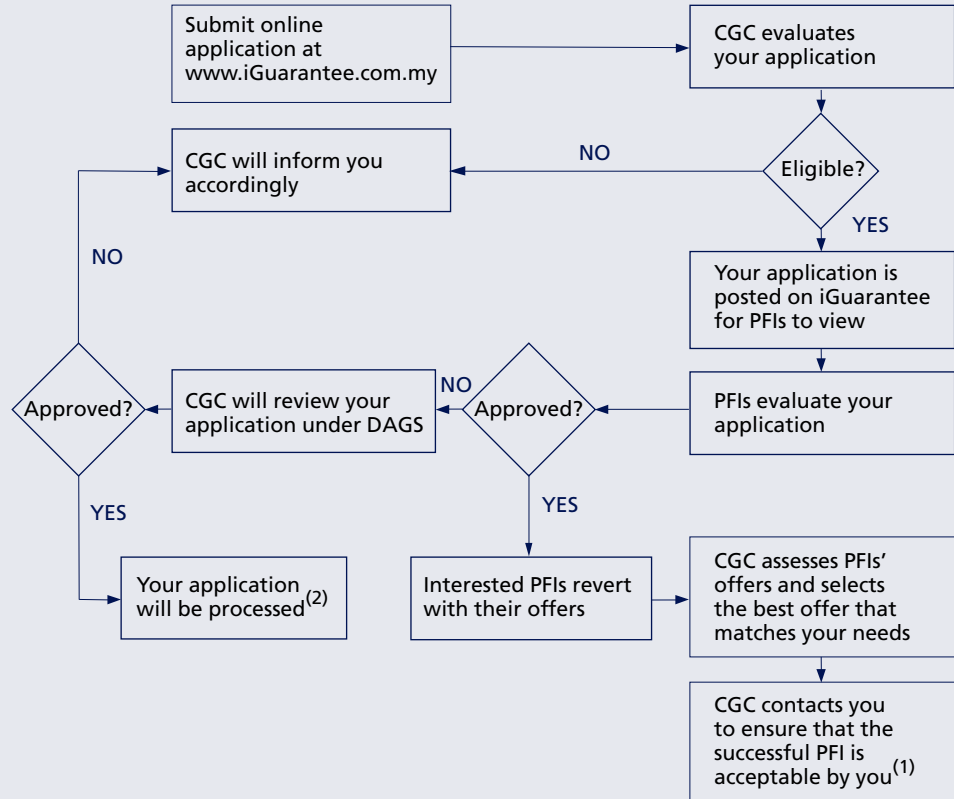
- Business registration form (Form A)
- Registration certificate (Form D)
- Company profile
 - Background of company
 - Activities of company
 - Management background
 - Proprietor curriculum vitae
 - Modus operandi
- DAGS application form duly signed by applicant

(1) After you have agreed to the offer by CGC, CGC will notify the participating financial institution, who will then contact you and ask you to submit an application for a loan. Upon receipt of the loan application, the participating financial institution will issue a letter of offer to you.

However, the issuance of guarantee cover by CGC would still depend on the participating financial institution's credit evaluation processes.

(2) The processes involved in application for DAGS are given in Diagram A.

DIAGRAM C: Steps to apply for loan via iGuarantee



Note: PFI = Participating Financial Institution

Personal Information on Director

- Copy of IC of all proprietors/guarantors
- Form J/Form EA or at least, latest 3 months pay slip
- Declaration form by proprietors/guarantors
 - List of assets and its worth e.g. houses, cars, land
 - List of liabilities, e.g. housing/car loan, personal loan
 - Evidence of payment on loans, e.g. loan statement, letter from bank, receipt of repayment for the past 6 months
 - Personal bank accounts, if available
 - Copies of investment made, e.g. fixed deposits, shares, properties, unit trusts

Financial Details

- 3 years audited accounts
- Latest management account
- Cash flow projection for 3 years (monthly basis for the first year), if available
- Bank statement for the past 6 months
- Ageing list for debtors and creditors
- Copy of letter of offer of existing loan, including hire purchase
 - For hire purchase/term loan: to provide evidence of payment, e.g. receipt of repayment for the past 6 months or loan statement





Other Documents

- Copy of tenancy agreement (if office/business premise is rented)
 - A simple map to the business premise
 - Photos of:
 - Proprietors/guarantors
 - Signage
 - Scenario of office
 - Working environment
 - Products
 - Profile of main contractor*
 - List of contract-in-hand*
 - Latest purchase order*
 - Others
- *if applicable

COSTS AND FEES FOR USING CGC GUARANTEE SCHEMES

Processing Fee

The processing fee is paid only once, either to the participating financial institution (where you obtained your business loan) or to CGC. In the case of DAGS, the fee charged is determined by CGC and borrowers should make payment directly to CGC branches. For non-DAGS, the individual participating financial institution will determine the fee to be charged.

Interest Rates

The interest rates imposed on the loans approved to borrowers are determined by the participating financial institution based on the prescribed rates of the various types of CGC's schemes.

Guarantee Fee

The guarantee fee payable to CGC varies depending on the guarantee

facility granted to you. Payment of the fee is made in advance annually by the participating financial institution. The participating financial institution will subsequently debit your account for the fee paid on your behalf. CGC schemes' guarantee fee range from 0.5% to 2.0% of the guarantee cover amount. However, the guarantee fee imposed under the Flexi Guarantee Scheme will be borne by the participating financial institution granting the loan. This is to ensure that you, as the borrower, continue to enjoy the loans under the various funds at the respective prescribed rate.

OTHER SERVICES PROVIDED BY CGC

Business Advisory Services Entity (BASE)

To assist SMEs who are not familiar or do not know how to prepare the required documents for loan applications, CGC has appointed a panel of BASE. The objectives are as follows:

The guarantee fee
payable to CGC varies depending
on the guarantee facility granted to you

- To improve the turnaround time in processing and avoid delays in processing due to incomplete submission of documents
- To assist the SMEs in taking appropriate measures to safeguard and further improve their businesses

You may subscribe to the services of BASE for a small fee and the payments are made directly to BASE. The engagement of the services of BASE by the applicant is not an assurance that CGC will approve the loan application. The fees charged by BASE will vary depending on the services required, which may include the preparation of working papers for the loan application, site visits to the business premises, site visits to inspect the collateral offered, preparation of financial projections, market analysis and quarterly monitoring and reporting (for the first year only). The fees for these services generally do not exceed RM3,000.

How Do I Obtain This Service

You can either visit CGC or if you already know the panel of companies under BASE, you can go to any of the companies within the panel directly. The contact addresses of BASE can be found in CGC's website.

USEFUL TIPS FOR OBTAINING GUARANTEE COVER

- Prepare and make available the necessary documents (such as profile of business, business plan, financial statements, cash flow projections, etc.)
- If you do not know how to prepare a business plan/other documents for the loan application, you may either approach any advisors of your choice OR contact CGC's panel of BASE
- Plan the financing requirements of your business in advance so that you are able to submit your loan application early to avoid any mismatch between your requirements and the loan disbursement
- Approach your financial institution and CGC to discuss any constraints that you may have in servicing your loan on time so that an amicable solution may be reached



FREQUENTLY ASKED QUESTIONS

Do we need to submit separate applications to the participating financial institution and CGC?

No. For DAGS, you can approach the CGC branch nearest to you and CGC will assist you to obtain the loan from the participating financial institution. For non-DAGS, when you apply for a loan or any other credit facility to be covered by CGC, the participating financial institution will process and evaluate your application and assist you to obtain the required CGC guarantee loan or credit facility.

How do I qualify for a CGC-guaranteed loan?

Depending on the specific scheme selected, you must be a Malaysian citizen or resident-controlled company, operating a registered or licensed business in Malaysia, and your net assets or shareholders' funds or total existing business borrowings meet the requirements of the respective guarantee schemes.

How many guarantee schemes are available through CGC?

Currently, CGC offers six guarantee schemes. To determine which one best suits your needs, you can contact CGC or visit its website at www.iGuarantee.com.my.

Can I approach CGC directly for a guarantee cover?

You can only approach CGC directly for applications relating to Direct Access Guarantee Scheme (DAGS).

How can I benefit from using the iGuarantee?

iGuarantee provides a convenient one-stop centre for loan applications from SMEs. Your loan application will be posted on CGC's portal, which can be accessed by all participating financial institutions. Thus it saves you both time and money as you do not have to travel to different financial institutions and complete multiple loan applications. In addition, you will be able to obtain competitive offers on your loan application.

Are there any costs/fees involved in posting loan applications in iGuarantee?

There are no fees levied on the applicant.



Is it safe to submit my financial information online?

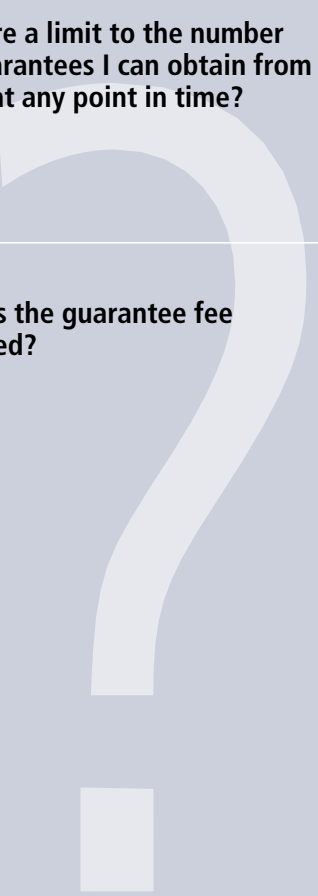
CGC has taken all necessary precautions to ensure safety and security of the data collected and transferred through iGuarantee.

Which financial institutions participate in CGC schemes?

The list of participating financial institutions are as per the Appendix.

What types of credit facilities do CGC guarantee under its schemes?

Among the credit facilities guaranteed are term loans, overdrafts, letter of credit, export credit refinancing, bills purchased, tradelines, trust receipts, hire purchase, leasing, bankers acceptances and other facilities determined by CGC from time to time.




Is there a limit to the number of guarantees I can obtain from CGC, at any point in time?

Borrowers may be allowed to enjoy multiple guarantees subject to the eligibility criteria being met and within their repayment capacity. Multiple guarantees can be for different schemes, under the same financial institution, subject to the limit on aggregate borrowing. For borrowers with existing CGC guarantee cover, they must not have bad record with CGC.

How is the guarantee fee charged?

The guarantee fee is imposed on the total guarantee cover amount and will be paid to CGC by the participating financial institution at the beginning of the guarantee period and its anniversary dates. Your account will be debited for the fee paid on your behalf. However in the case of Flexi Guarantee Scheme, the fee is absorbed by the participating financial institution.

Can I get a rebate on the guarantee fee paid if I repay my loan?



You can get a rebate under the following circumstances:

- (i) For all guarantee schemes, except for the revised New Principal Guarantee Scheme and Islamic Banking Guarantee Scheme (effective 1/11/2002), you can get a 100% refund of the guarantee fee if you have fully repaid your loan and the participating financial institution has informed the cancellation of guarantee cover to CGC within the three months period from the date of the approval as stated on the Letter of Guarantee (or its anniversary dates thereafter). No guarantee fee is refunded if the participating financial institution notifies CGC on the cancellation of the guarantee after the third month from the Letter of Guarantee approval date (or its anniversary dates thereafter)
- (ii) For the revised New Principal Guarantee Scheme and Islamic Banking Guarantee Scheme, you can get a refund as per (i). However, you will only receive 50% refund if the participating financial institution submits the notification of cancellation of your guarantee cover between 91-180 days from the date of the Letter of Guarantee (or its anniversary dates thereafter) in circumstances whereby:
 - CGC guarantee coverage is no longer required due to the cancellation of the unutilised credit facility; or
 - A new Letter of Guarantee supersedes the existing Letter of Guarantee when the participating financial institution grants an additional loan to you; or
 - The existing guarantee coverage agreement is renewed prior to its expiry

ENQUIRIES

If you require any further information, please submit your enquiries to CGC by telephone, fax, letter, or e-mail:

Credit Guarantee Corporation Malaysia Berhad
Head Office
Level 13-16, Bangunan CGC
Kelana Business Centre
97, Jalan SS7/2, 47301 Petaling Jaya
Selangor Darul Ehsan

Tel: 03-7806 2300

Fax: 03-7806 3308

E-mail: mailbox@cgc.gov.my

or contact any of their branches nearest to you.
Please refer to CGC's website to obtain the updated list of branches.

APPENDIX

PARTICIPATING FINANCIAL INSTITUTIONS FOR DIRECT ACCESS GUARANTEE SCHEME (DAGS)

- Malayan Banking Berhad
- RHB Bank Berhad

PARTICIPATING FINANCIAL INSTITUTIONS FOR NON-DAGS SCHEMES

| No | Schemes | Participating Financial Institutions* |
|----|-------------------------------------|---|
| 1. | New Principal Guarantee Scheme | <ul style="list-style-type: none">• Commercial banks• Finance companies |
| 2. | Islamic Banking Guarantee Scheme | All commercial banks & finance companies offering interest free financing under Islamic banking concept |
| 3. | Flexi Guarantee Scheme | <ul style="list-style-type: none">• Commercial banks• Finance companies• Development financial institutions |
| 4. | Small Entrepreneur Guarantee Scheme | <ul style="list-style-type: none">• Commercial banks• Finance companies |
| 5. | Franchise Financing Scheme | <ul style="list-style-type: none">• Bumiputra-Commerce Bank Berhad• Malayan Banking Berhad |

*Please contact CGC for the updated list of participating financial institutions

BANGUNAN CGC

FOR MORE INFORMATION



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www.bankinginfo.com.my

OR VISIT OUR KIOSK AT MOST BANKS