IV. SUBMITTING A CLAIM

A. <u>Overview</u>

When a loan enrolled in CalCAP CS default, lenders should follow a 2-step process to request reimbursement of the loss from the loan's CalCAP CS loss reserve account:

✓ <u>Step 1: Upon Default, submit "Collateral Support Default Notification"</u>
Upon loan default, lenders should submit the "Collateral Support Default Notification" to CPCFA. This notice will suspend the incremental recapture process and freeze the collateral support.
See Section B for details on submitting the "Collateral Support Default Notification".

✓ <u>Step 2: Upon Collateral Liquidation, submit "Collateral Support Claim Application"</u>
Within 30 calendar days of the final collateral liquidation, lenders shall submit the "Collateral Support Claim Application", a history of the account payments, a short narrative of the loan collection history, and information about the sale of proceeds or justification for failed attempts to liquidate to CPCFA. If the claim is approved, CPCFA will authorized the disbursement from the CalCAP CS loss reserve account for that loan.
See Section C for details on submitting the "Collateral Support Claim Application".

 Regulations 8078.33(e): The Collateral Support shall not be claimed by a Participating Financial Institution in lieu of pursuing and liquidating pledged collateral. All pledged collateral must be liquidated consistent with the participating financial institution's usual method for loans not enrolled in the Collateral Support Program.

B. <u>Collateral Support Default Notification</u>

This section provided instructions for lenders on how to complete the "Collateral Support Default Notification", which informs CalCAP CS that a loan is in default.

 Lenders must submit this notification to CPCFA upon default.

 If the default or delinquency affecting the Qualifying Loan is subsequently resolved through a Change in Terms, settlement or other workout which avoids charge-off and collateral liquidation of the loan, the Participating Financial Institution shall promptly withdraw the Default Notification via email, and the Annual Recapture will resume according to the original schedule and loan anniversary date.

Form 3: Collateral Support Default Notification

Lender Information Section

LENDER INFORMATION	
Participating Lender:	Lender ID #:
Name:	Phone Number:
Email:	

Field	Information Needed
▪ Participating Lender	✓ Name of the financial institution.
▪ Lender's CalCAP ID#	✓ The financial institution's assigned CalCAP Lender ID. This number was issued and provided on the signed copy of the lender's "Financial Institution Application" agreement and the "Welcome Letter" that accompanied it. (This number never changes.)
▪ Name ▪ Phone Number ▪ Email	✓ Name, phone number, and email of lender representative CalCAP can contact with questions about this default notification.

Borrower Information Section

BORROWER INFORMATION
Name:
DBA:
CSP #:

Field	Information Needed
▪ Name	✓ Name of the primary borrower representing the business.
▪ DBA	✓ Name of the business, sole proprietor, partnership, corporation, etc.

▪ CSP #	✓ The number CalCAP assigned to the loan after it approved the loan's enrollment in the program. This number can be found on the final "Collateral Support Approval" form in the "Final Support Information" section, of which a copy was returned to the lender upon CalCAP approval of the final loan.

Loan Information & Signature Sections

LOAN INFORMATION

Lender Loan #:		Date of Loan:	
Original Principal/Loan Amount:		Original Collateral Support Amount:	
Charge-Off Amount:		Date of Charge-Off:	

The lender certifies that the given information is true and correct.

Authorized Lender
Signature _____ Date _____

Field	Information Needed
▪ Lender Loan #	✓ The unique (lender-assigned) loan number associated with the borrower's loan.
▪ Date of Loan	✓ Date of loan (if term loan) or date of first disbursement (if line of credit).
▪ Original Principal/Loan Amount	✓ Amount disbursed to the borrower upon first funding of the loan.
▪ Original Collateral Support Amount ($)	✓ Total amount provided by CalCAP as cash collateral support.
▪ Principal Balance at Default	✓ Outstanding principal amount at time of delinquency.
▪ Date of Default	✓ Date of first delinquency.
▪ Authorized Lender Signature	✓ To be signed by the lender-designated authorized signer.
▪ Date	✓ Date of the final loan information was signed.

C. Collateral Support Claim Application

The lender must experience a net loss originating from the outstanding principal, accrued and unpaid interest, and/ or reasonable out-of-pocket expenses incurred in pursuing its collections efforts in order for CPCFA to approve a claim.

When assessing whether an out-of-pocket expense is considered reasonable, financial institutions should consider the best lending practices and act in a prudent and judicious manner during their collection processes.

The State's collateral shall not be used in lieu of pledged collateral. All collateral must be liquidated consistent with the participating financial institution's usual method for loans that do not have the State's support. Proper documentation of any claimed expense shall be presented at the time of the claim. The amount paid on a claim will never exceed the available amount in the Collateral Support Loss Reserve account.

In addition to the claim form, lenders should submit to CalCAP:

    (1) a complete transaction history of the account
    (2) a short written synopsis of the loan history, including the last payment date, when and why the loan was charged off, and any liquidation efforts (dates and amounts)
    (3) receipts of any reasonable, claimed out-of-pocket expenses
    (4) Bill of Sale for liquidated collateral

 Lender must submit this notification to CalCAP within 30 days of the final collateral liquidation date, which is the date the lender records the cash receipt from the final collateral liquidation on its books.

Form 4: Collateral Support Claim Application

Loan Information Section

LENDER INFORMATION	
Participating Lender:	Lender ID#:
Contact Name:	Phone Number:
Contact Email:	

Field	Information Needed
▪ Participating Lender	✓ Name of the financial institution
▪ Lender ID #	✓ The financial institution's assigned CalCAP ID. This number was issued and provided on the signed copy of your "Financial Institution Enrollment" and the accompanying "Welcome Letter". (This number never changes.)
▪ Name ▪ Phone Number ▪ Email	✓ Name, phone number, and email of lender representative CalCAP can call with questions about this claim application.

Borrower Information Section

BORROWER INFORMATION
Name:
DBA:
CSP #:

Field:	Information Needed:
▪ Name	✓ Name of the primary borrower representing the business.
▪ DBA	✓ Name of the business, sole proprietor, partnership, corporation, etc.

	✓ The number CalCAP assigned to the loan after it approved the loan's enrollment in the program. This number can be found on the final "Collateral Support Approval" form in the "Final Support Information" section, of which a copy was returned to the lender upon CalCAP approval of the final loan.
▪ CSP #	

Loan Information Section

LOAN INFORMATION	
Lender Loan #:	Date of Loan:
Original Principal/Loan Amount:	Original Collateral Support Amount:
Charge-Off Amount:	Date of Charge-Off:

▪ Lender Loan #	✓ The unique (lender-assigned) loan number associated with the borrower's loan.
▪ Date of Loan	✓ Date of loan (if term loan) or date of first disbursement (if line of credit).
▪ Original Principal/Loan Amount	✓ Amount disbursed to the borrower upon first funding of the loan.
▪ Original Collateral Support Amount ($)	✓ Total amount provided by CalCAP as cash collateral support.
▪ Charge-Off Amount	✓ Uncollectable amount outstanding on the loan.
▪ Date of Charge-Off	✓ Date loan was deemed uncollectable by lender and charged off the books from an asset to a liability.

Claim Information & Signature Sections

CLAIM INFORMATION	
Amount Recovered From Liquidation:	Date of Final Collateral Liquidation:
Outstanding Principal: $	

The lender certifies that the given information is true and correct.

Authorized Lender
Signature _____   Date _____

▪ Amount Recovered from Liquidation	✓ Amount of cash received the lender recovered through the liquidation of borrower assets.
▪ Date of Final Collateral Liquidation	✓ Date lender recorded cash received from final collateral liquidation on its books.
▪ Outstanding Principal	✓ Remaining amount of loan after liquidation recovery. ○ Calculated as "Charge-Off Amount minus Amount Recovered from Liquidation = Outstanding Principal."
▪ Authorized Lender Signature	✓ To be signed by the lender-designated authorized signer.
▪ Date	✓ Date the claim application was signed.

D. Summary CS Claim Flow