

AGENDA

CALIFORNIA CAPITAL ACCESS PROGRAM (CalCAP)



California Pollution Control Financing Authority (CPCFA)

LENDER ROUNDTABLE CONFERENCE CALL

Wednesday April 18, 2012

1:30 p.m.

Call in number: (800) 230-1766

Password: CalCAP

MEMBERS:

Bill Lockyer, Chairman
State Treasurer

John Chiang
State Controller

Ana J. Matosantos, Director
Department of Finance

EXECUTIVE DIRECTOR:

Michael Paparian

- **INTRODUCTION**

- **WELCOME NEW LENDERS**
 - ❖ We would like to welcome our first Microbusiness Lender: Sierra Economic Development Corporation. Welcome to the CalCAP family. We look forward to seeing your enrollment applications!

- **AIR RESOURCES BOARD (ARB) ON-ROAD AND OFF-ROAD PROGRAMS**
 - Trailers alone are no longer eligible
 - ❖ The Air Resources Board is no longer allowing loans for trailer purchases alone to be enrolled in the On-Road program. A purchase of a trailer is only eligible if a borrower is purchasing an eligible tractor with that same loan. A new Borrower Eligibility form for the ARB On-Road Program is now posted on our website dated March 14, 2012. Please be sure to use this version for enrollments in the On-Road program.

 - Marine Vessel Program is available
 - ❖ ARB has recently added marine vessels to the list of eligible equipment that can be enrolled in the ARB Off-Road Program. Like the other off-road equipment purchases made in this program, all marine vessel enrollments must be for replacement, repowering or retrofitting an older vessel. A new Borrower Eligibility form pertaining to marine vessels, along with a fact sheet about this addition to the program, have been added to the CalCAP website.

 - Updated forms
 - ❖ In addition to the updated ARB On-Road Borrower Eligibility and the new ARRA Off-Road Marine Vessel Borrower Eligibility, we've updated the Loan Enrollment Application for ARB programs. The updated enrollment actually asks for less information. We've removed quite a few questions, which should simplify filling out the enrollment application. Lastly, there is a revised version of the Sample Borrower Certification for Air Resources Board Programs on our website. All of these are available on

the CalCAP website, both in the Templates section and will be posted in the Lender Roundtable section under April 18th. You must start using the new enrollment application and borrower certification for all loans with a date of loan of April 23rd or after.

- **SSBCI FEDERAL FUNDS PROGRAM**

- ❖ We consider all enrollments submitted for Federal Funds first. It is important for you to be aware of which loan enrollments have received Federal Funds. How do you know your loans received Federal Funds?

1. You signed and submitted a CERTIFICATION TO PARTICIPATE IN THE STATE SMALL BUSINESS CREDIT INITIATIVE PROGRAM
2. You have received a CalCAP match equal to the lender premium + borrower premium (or greater)
3. Your returned signed LOAN ENROLLMENT APPLICATION indicates “Federal Funds” in the box at the bottom of page 2.

If you are receiving Federal Funds you are required to comply with all SSBCI rules.

- All lenders receiving Federal Funds must re-sign the certification- **This file was attached to your agenda that you received Monday, April 16th.**

- ❖ The SSBCI has provided us specific guidance for compliance policies and procedures. We have revised the lender CERTIFICATION TO PARTICIPATE IN THE STATE SMALL BUSINESS CREDIT INITIATIVE PROGRAM to include additional items requested by the US Treasury. Specifically certifications have been revised to define your responsibilities for enrollments which have received contributions from the Federal Funds. This new certification must be submitted in order to continue receiving contributions from the federal funds no later than May 3, 2012.

- Mandatory document update - **A Revised Small Business Loan Enrollment Application, Sample Borrower certifications for ARB Truck and Equipment Loans and Small Business Loans were attached to the agenda as well.**

- ❖ We have revised the Loan Enrollment Application to remove several items and update the certifications on Page 2.

Effective immediately, lenders must submit the BORROWER CERTIFICATION FOR SMALL BUSINESS LOAN ENROLLMENTS to CalCAP with your loan enrollment package. Please Note: All Certifications have been revised this April. This has been a requirement for your loan file since the inception of the SSBCI program. Now we will have to collect the documents to ensure adherence to the

SSBCI National Compliance Standards. Submission of the Borrower Certification is not mandatory for any ARB Truck and Equipment Loans.

As is our usual practice, we will require that any loan enrollment with a disbursement date of 4/23/12 or later be submitted on the new forms.

- Round down on premiums totaling over 7%
 - ❖ The following 3 rules apply to borrower and lender premiums:
 1. Lender and Borrower premiums must be between 2% and 3.5% of the enrolled amount.
 2. Lender and Borrower premiums must match exactly
 3. The combined amount of Lender Premium + Borrower Premium may not exceed 7% by any increment.

For all loans where $.035 \times$ Enrolled Amount results in a fraction of a cent you must round down to avoid exceeding 7%.

Example: Enrolled Amount \$4075
 $.035 \times 4075 = 142.625$
 Borrower Premium = \$142.62
 Lender Premium = \$142.62
 Total Lender Payment = \$285.24
 Federal Fund Premium = \$285.24

- **INTRODUCTION OF NEW SSBCI PROGRAMS**

- Collateral Support Program
 - ❖ The infusion of Federal funds to California has allowed us to develop new programs to assist small businesses. We are very excited about our Collateral Support Program that is proposed to roll out by June 1st. When we receive final approval from U.S. Treasury and Board approval of regulations, we will be ready to launch the new program. Any lender that is qualified to receive federal funds may participate in this program.

The collateral support program can be used for Energy Efficiency Improvement projects for businesses and for bridge loans, which include a bridge loan made prior to the funding of an SBA 504 loan. We anticipate including additional categories for this program within the year.

In general, the way a Collateral Support Program works is, if a lender is lending to a business that is lacking in collateral, the lender can request collateral support from our Program to supplement that loan before it is made. When the request is

granted, CalCAP will deposit the support amount to a loss reserve account, specifically associated with that loan, as a pledge of collateral.

The loan amounts for the Collateral Support Program may be from \$100,000 to \$20 million. The terms for the support may be allowed up to 7 years, but the intent is that the terms are shorter and loans will graduate out of the program as principal balances go down and collateral goes up. The request for support can be up to 40% of the loan amount. An additional incentive of 10% may be given if the business is located in a severely affected community. There will be a small fee charged to the borrower on the requested support amount at closing. The borrower will also pay an annual fee on the amount of collateral remaining in the support account. The fee structure will go up to 2%, but will probably average about 1% with a minimum fee of \$1,000.

For longer term loans, there may be a predetermined incremental recapture of the collateral support and/or an option to reduce collateral support (therefore reducing the borrower fee) based on the principal reduction of the loan or increase in collateral on the loan.

If a loan loss occurs, you would be required to liquidate collateral before filing a claim on the support pledge.

Leaders at the SBA are supporting us in our efforts to make the 504 bridge loans a more comfortable product for lenders. We believe this will be especially helpful with special interest properties. I'll give you an example of how bridge support would work:

A borrower is approved for an SBA 504 loan. They need a bridge loan for 90 days. The appraisal is \$1M. You make a loan for \$900,000 creating a 90% LTV. This LTV makes you, as the lender, and the FDIC uncomfortable. In order to allow lenders to confidently make this type of loan, a support request can be submitted to bring the LTV down to, say 65% for this example. You would send in a support request form to CPCFA staff with your request which will include a narrative of your borrower's credit analysis, risk ratings and the justification for the request, along with all of our standard Federal reporting information. Staff will evaluate your request, if necessary, negotiate the amount, and then send an approval for the \$250,000, the difference between the 90% and 65%. When the loan is made, you will deposit the requested fee of \$2,500 (or 1%, for example) into a loan specific collateral support account, submit final loan information to CPCFA, we will enroll the loan and submit the Federal contribution to the collateral support account. When the 504 loan is funded and the bridge loan pays off, the support account is closed and the funds are returned to CPCFA.

Again, we are close to the final development stage of this program and do not have the minute details. Our literature is not ready to publish, but we will notify you and get you more information as soon as we are able.

- Loan Participation Program
 - ❖ Pending Transcript

- **REGULATIONS**

- ❖ We mentioned on the last Lender Roundtable call that we had in February that we were adding additional language to our current CalCAP regulation that would allow Microbusiness Lenders to participate in the Program. We took this to our Board for approval and the new language to define Microbusiness Lenders in CalCAP has been added to the regulations.

Nancee and Mike just mentioned two new programs that we are adding with the use of our Federal funds. With these new programs come new regulations and we are in the process of drafting those now. We are going back to our Board for approval of these new regulations on May 15th. Once they have been approved by the Board, they will become affective at the beginning of June. We post the new language on our website and notify all of you once this happens.

ATTACHMENTS:

- New ARB On-Road Program Borrower Eligibility
- Marine Vessel Off-Road Program Borrower Eligibility
- Updated ARB Enrollment Application
- SSBCI Certificate to Participate
- Updated Small Business Loan Enrollment Application
- Updated Borrower Certification for Small Business Loan Enrollments
- Updated Borrower Certification for ARB Program Loan Enrollments