

## II. Program Participation Requirements

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### A. Overview

CalCAP CS encourages banks and other financial institutions to make loans to small businesses that have difficulty obtaining financing due to collateral shortfall. The California Capital Access Program (CalCAP) is administered by the California Pollution Control Financing Authority (CPCFA). The Program is intended to support loans for small businesses which have a strong credit profile except for a collateral shortfall.

CalCAP CS provides up to a 50% cash deposit to cover the collateral shortfall of small business loans. The term of support may not exceed 4 years from the initial date of disbursement (48 months). By participating in CalCAP CS, lenders can insulate themselves from losses on small business loans they feel are uncollateralized.



Almost any business loan is eligible under CalCAP CS, with few exceptions noted below. Loans can be used to purchase commercial real estate, finance the construction or renovation of buildings, finance start-up costs, purchase equipment or inventory, improve facilities for energy and environmental efficiency, serve as bridge loans needed prior to obtaining permanent financing, and working capital.



There are limitations on the use of loan proceeds for passive real estate loans, loan refinances, residential real estate or the repayment of delinquent federal or state taxes. There are also limitations on using loans to reimburse funds owed to or purchasing any portion of the ownership interest of business owners. Other prohibited uses of loan proceeds include gambling facilities, bars, liquor stores, gun sales, tobacco manufacturing and sales, adult entertainment businesses, and businesses engaged in activities that are prohibited by federal law.



No changes in terms of an enrolled CSP loan shall be considered approved without the Executive Director's prior written approval.



Refer to CalCAP Regulations 8070(u) as appended in Chapter VIII for full disclosure of eligible and ineligible uses of loan proceeds.

Flexibility	Restrictions
<ul style="list-style-type: none"> <li>▪ Lender's set all the terms and conditions of the loans and decide which loans to enroll into CalCAP CS.</li> <li>▪ Lenders determine the collateral level to be requested from CalCAP CS. Collateral support can be reduced at any time after the loan is enrolled.</li> <li>▪ Loans can be short- or long-term, have fixed or variable rates, be secured or unsecured, and bear any type of amortization schedule.</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$50,000 minimum loan principal amount.</li> <li>▪ \$20 million maximum loan principal amount.</li> <li>▪ \$2.5 million maximum collateral support per loan and borrower (including the base and Severely Affected Community contributions) for eligible green and manufacturing loans.</li> <li>▪ \$500,000 maximum collateral support per loan and borrower for all other eligible small business loans.</li> <li>▪ Maximum 40% of principal supported by CalCAP CS; however, if the business is located in a Severely Affected Community, the lender may qualify for up to an additional 10%, 7.5%, or 5% based on the loan type, amount, and term of support. The SAC contributions cannot exceed 20% of the total support amount.</li> <li>▪ Support extends to a maximum of 4 years (48 months) from the date of the loan.</li> <li>▪ The borrower must have their "primary economic effect" in California in which one of the following conditions exists: <ul style="list-style-type: none"> <li>○ At least 51% of the total revenues of the business activities are generated in California; or</li> <li>○ At least 51% of the total jobs of the business are created or retained in California.</li> </ul> </li> <li>▪ The borrower's business must be in one of the industries listed in the North American Industry Classification System (NAICS) codes list. NAICS: <a href="http://www.census.gov/eos/www/naics">http://www.census.gov/eos/www/naics</a></li> <li>▪ The small business must be classified as a small business under U.S. Small Business Administration guidelines (Title 13 of the Code of Federal Regulations) and have 750 or fewer employees. U.S. Small Business Administration Guidelines: <a href="https://www.sba.gov/">https://www.sba.gov/</a></li> </ul>