

VI. LENDER TOOLS & TIPS

This section contains tools and tips to further assist lenders in enrolling loans, submitting claims, and provided answers to most frequently asked questions. For the most recent versions, refer to the CalCAP CS website:

☞ Lender Tools & Tips: <http://www.treasurer.ca.gov/cpcfca/calcap/collateral/index.asp>

1. **Examples of Eligible and Non-Eligible Small Business Types**

Most common small business types are eligible for participation in the CalCAP CS program. However, certain businesses and activities are precluded from enrolling in the program as shown in the table below.



This table provides examples only and is not intended for nor should be considered as a comprehensive, all-inclusive listing of eligible or non-eligible small business types.

**Refer to Chapter VIII for the full text of CalCAP Regulations and contact CalCAP directly if you are unsure about the eligibility of a specific business type.*

Type of Business	Eligible? (Yes/No)
Airplane or Aircraft	Yes
Charitable, non-profit or eleemosynary institutions	Yes
Consumer and Marketing Cooperatives	Yes
Gold Course or County Club	Yes
Health Club Facilities	Yes
Racquet Sports Facilities (including handball and racquetball)	Yes
Skating Facilities (including roller skating, skateboarding, and ice skating)	Yes
Spas that provide Massage Services	Yes
Suntan Facilities	Yes
Tennis Clubs	Yes
Business that earns more than half of its annual net revenue from lending activities (unless a non-bank or non-bank holding company CDFI)	No
Pyramid Sales Plans	No

Adult Entertainment (including strip clubs, adult bookstores, and businesses whose principal business is the sale of pornography)	No
Bars	No
Liquor Stores	No
Businesses engaged in speculative activities that develop profits from fluctuations in price rather than through the normal course of trade	No
Escort Service	No
Facility Primarily Used for Gambling or to Facilitate Gambling	No
Firms engaged in activities that are prohibited by federal law or applicable law in the jurisdiction where the business is located or conducted.	No
Gun Club, Shooting Range or Gallery	No
Hot Tub Facility	No
Massage Parlor	No
Nudist Camp	No
Racetrack	No
Store or facility whose principal business is the manufacture or sale of tobacco or tobacco products.	No
Store or facility whose principal business is the sale of firearms	No

2. Examples of Loans Eligible or Prohibited for Enrollment with CalCAP

While majority of business types are eligible for enrollment in the CalCAP program, certain restrictions apply to the use of loan proceeds if the loan is guaranteed by CalCAP as shown in the following table.

Loan Purpose	Eligible? (Yes/No)
Refinance other financial institution or finance company debt provided original loan was for an eligible purpose.	Yes
Refinance CalCAP or other loan (enrolling advance only)	Yes
Fund any unguaranteed portion of the ownership interest of any owner of the business	No

Reimburse funds owned to any owner, including any equity injection or injection of capital for the business' continuance	No
Repay delinquent federal or state taxes unless the borrower has a payment plan in place with the relevant tax authority	No
Repay taxes held in trust or escrow	No
Loan has been made in order to place under the protection of CalCAP prior debt that is not covered under CalCAP and that is or was owed by the Borrower to the Participating Financial Institution or to an affiliate of the Participating Financial Institution (delinquency cannot be refinanced)	No
Passive real estate	No
Construction or purchase of residential housing	No
Refinance own financial debt	No
Financing a non-business purpose	No

3. How to Report the Number of Employees of a Small Business Concern & Related Affiliates

To report the number of employees of a borrower, the lender will request that the borrower count all individuals employed on a full-time, part-time, or other basis. If a borrower owns multiple businesses, has acquired an affiliate, or been acquired as an affiliate, the employees counted to determine size status include the employees of all affiliates. Employees obtained from a temporary employee agency, professional employment organization, or leasing concern that received payment directly from the borrower will be included.

The borrower should consider the totality of the circumstances, including criteria used by the IRS for Federal income tax purposes, to determine whether individuals are employees of their business. In general, an individual is considered an employee of a borrower if their compensation is issued by the borrower.



Volunteers (e.g. individuals who receive no compensation, including no in-kind compensation, for work performed) are **not** considered employees.

4. How to Calculate Full Time Equivalency

The number of an employer's Full Time Equivalents (FTEs) is determined by dividing the total hours for which the borrower pays wages to all employees during the year by the number of employee work hours per year. The standard calculation for employee work hours

per year is 2080: calculated by multiplying 52 weeks by 40 hours per week.

Example: In a single year a borrower pays 5 employees wages for 2,080 hours each, 3 employees' wages for 1,040 hours each, and 1 employee wages for 2,300 hours. The borrower's FTEs would be calculated as follows:

1. Total hours not exceeding 2,080 per employee is the sum of:
 - a. 10,400 hours for the 5 employees paid for 2,080 hours each (5 x 2,080)
 - b. 3,120 hours for the 3 employees paid for 1,040 hours each (3 x 1,040)
 - c. 2,080 hours for the 1 employee paid for 2,300 hours (lesser of 2,300 and 2,080)

□ These add up to 15,600 hours

FTEs: 8 (15,600 divided by 2,080 = 7.5, rounded to the nearest whole number)



FTEs must not exceed 750 for Collateral Support loans.