INTRODUCTION

Several bills were passed last year and signed by Governor Brown resulting in legislation changes affecting CalCAP. The first of these changes is that the 10 day limit for lenders to submit notification to CalCAP for enrollment after the loan has been made is going to be extended to 15 days. We will be working on regulation changes and will be updating forms and materials on the website, but starting January 1st, 2013, you will have 15 days to submit your enrollment applications.

The second change to the statute affects the lender and borrower premium amounts. Currently, the borrower pays between 2-3.5% and the lender pays between 2-3.5% on each enrollment and CalCAP matches those contributions when using Federal funds. If the loan does not qualify for Federal funds, CalCAP will use the State funds to contribute 150% of the lender’s premium. The new legislation, effective January 1, 2013, will reduce the minimum premium contribution to 1%. Borrowers and lenders will each pay premiums between 1-3.5% and CalCAP will continue to match those contributions. You do not have to reduce the premium amounts that you use when enrolling CalCAP loans, but beginning in January you will have the option to pay premiums between 1-3.5% each.

WELCOME NEW LENDERS

I would like to welcome our new lenders: Atlas Capital, Inc., DBA Fast Loans and Pacific West CDC. Welcome to the CalCAP family. We look forward to seeing your enrollment applications!

ARB PROGRAMS

On-Road Updates

We have had a very successful year in our ARB On-Road Program and we are entering our last year under the current contract, which is set to expire on December 31, 2013. CalCAP staff has been working with ARB and discussing any possibilities for extending the Program. As these discussions progress, we will keep all of you updated and may even reach out to you for
your input. When we have more information we will share it with our participating ARB lenders.

- One reminder regarding qualified trucks for the On-Road Program is that all 2007 Cummins ISX engines with the specific family number that has been sent to you in several emails are not eligible for enrollment. It is the borrower’s responsibility to purchase eligible engines, but as the lender, if you are financing a truck with a Cummins ISX engine, you may want to collect additional information regarding eligibility. Those vehicles are legal and compliant; however, due to their NoX rating they do not qualify for our Program.

- SSBCI FEDERAL FUNDS PROGRAM
  - Site Visit Findings
    - We have just completed site visits to all of our lenders who have received Federal Funds as contributions to loan loss reserve accounts since we received the money in April of 2011. We would like to thank you all for your cooperation and speedy responses that helped us accomplish this by the end of the year. I hope you also enjoyed meeting some of the staff members of CalCAP, we were happy to get to meet some of you.
    - We feel very confident that our lenders are operating within the guidelines set by Treasury. We would like to point out some of the common errors found as a learning process for us all.
    - The most common error noticed was the borrower certification missing from the file. We are confident this will not be an issue in the future since we now require the borrower certification to be included with the enrollment submissions.
    - Another item was who signed the borrower certification. Here is a simplified example: If there is a party that signs the loan agreement, that is not an owner of the small business, that person will need to sign the borrower certification also.
    - Refinances of your own bank’s existing debt is not allowed for enrollment. We will enroll an additional amount that is advanced to the borrower with a refinance, but not the payoff portion.
    - There is a retention requirement for all documents related to a loan that is enrolled in the Federal Program of January 31, 2020.
    - The SSBCI requires lenders to have employees attend fraud waste and abuse training as a part of this program. We are aware that some lenders do not have
this kind of program, so we plan to produce a webinar that will serve as your training. This should be complete within the first quarter of 2013.

- Lender Certification to Participate and Authorized Signers Updated Annually
  - On an annual basis we will be requesting a master lender certification be signed and submitted to CalCAP in order to participate. In addition we will request a list of authorized signers of CalCAP enrollments. Any time an authorized signer changes, please be sure to notify us and submit updated lists.

- NEW SSBCI PROGRAMS -
  - Collateral Support Program
    - We have received approval from US Treasury for our new programs! Collateral Support will provide up to 40% of the loan value, in the form of a cash deposit, with the possibility of an additional 10% for businesses located in a Severely Affected Community. CalCAP anticipates launching Collateral Support in January, once all the necessary paperwork is signed with Treasury. A separate call will be held in order to present the new program to interested lenders. Please email me at ejarrett@treasurer.ca.gov if you are interested in receiving training for this new program.
  
  - Loan Participation Program
    - Loan participation aims to contribute to a loan pool that will make energy efficiency/environmental improvement construction loans to small businesses. Through an RFP process we are looking to partner with a lender who is willing to contribute $40 million to the loan pool. We are hoping that the loan pool can inevitably be bought out by a bond type financing mechanism. We will inform you as we get further along in the RFP process.

- UPDATED WEBSITE
  - Starting in January the CalCAP website will have a new look. We are finalizing updates to make the website cleaner and easier to use. You will still be able to find all of our forms and applications on the website and should continue to visit the site for the most updated versions. We will also be adding the Collateral Support Program and removing the ARB Off-Road information. In addition, we will be adding a lender ranking that ranks the lenders by the volume of dollars enrolled in CalCAP.