



CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

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AGENDA

CALIFORNIA CAPITAL ACCESS PROGRAM (CalCAP)

California Pollution Control Financing Authority (CPCFA)

LENDER ROUNDTABLE CONFERENCE CALL

Wednesday, May 22, 2013

2:00 p.m.

Call in number: (877) 941-1706

• INTRODUCTION

- ❖ Good afternoon everyone and thank you for joining us today. I am Nancee Trombley, the CalCAP Manager. I would like the staff in the room to introduce themselves as well.

I know you are used to Michael Paparian, the Executive Director of CPCFA welcoming you; however, I have that honor today so that I can make an announcement that Mr. Paparian has been appointed to Deputy Treasurer for Treasurer Lockyer. Although Mike will be leaving CPCFA, he won't be far away and he will now be the Chair of our Board of Directors. The next time we meet for a conference call, I will introduce you to our new Executive Director Renee Webster Watkins. Renee will start her new position next week. This changing of the guard should have no impact on you as lenders and no impact on the programs. It will be business as usual at CalCAP and as much as we will miss Mike, the CalCAP staff is looking forward to welcoming Renee.

The CPCFA annual report for 2012 will be published on our website soon. We are very proud of this report as it shows the successes of our program that are only made possible by you. CalCAP had another record year in 2012 with 23 lenders making 1040 ARB truck loans and 27 lenders making 1294 federal and state loans for a total of 2334

loan for over 126 million dollars. With this lending, together we were able to create 903 jobs and retain 7,403 jobs in California. We are on track to beat last year's figures already.

A big thank you to all of the lenders that make this happen. With that, I will turn this over to Judy Pernell Stevens to tell you about our newest participants.

- **WELCOME NEW LENDERS**

- ❖ I would like to welcome our new lenders: Pacific Premier Bank; Commercial Credit Group, Inc.; Ascentium Capital, LLC; Commerce West Bank, N.A.; NuVision Federal Credit Union; Suncrest Bank; and Valley Business Bank. Welcome to the CalCAP family. We look forward to seeing your enrollment applications!

- **ARB PROGRAMS**

- On-Road Updates

- ❖ As you know, we have lowered the contribution amount for our ARB On-Road Program from 14% to 10% for lenders who were enrolled in the program before May 1, 2013 and who have reached their 1 million dollars in contributions. For lenders who were enrolled in our program before May 1, 2013 and have not yet reached their 1 million dollars in contributions will continue to receive the 20% contribution rate. Once those lenders do reach 1 million dollars in contributions, their contribution rate will be 10%.

As for the future of the program, our contract is ending in December of this year. We currently have about 6 million dollars left to be used in the program and we suspect that our funds may run out before the end of the year. We are looking into other sources for additional funds to ensure that the program can run at least until the end of 2013, but nothing is guaranteed at this point. We will keep you updated on the status of the program and will be sure to give you plenty of warning if we do need to end the program.

Looking into 2014, both CalCAP and ARB are very interested in committing to a new contract and prolonging the life of the program. We will keep you updated as information about a new contract becomes available.

- **NEW TRUSTEE BANK IN AUGUST**

- ❖ Many of you know that Deutsche Bank acts as the Trustee Bank for CalCAP. They hold accounts for our non-depository banks and disburse claims amongst other things. We recently learned that U.S. Bank has acquired Deutsche Bank's Trustee Services. In late August, all Trustee services previously provided by Deutsche Bank will convert to U.S. Bank. If your account is at the Trustee, the transfer of funds in your account will be handled internally, and all records will be turned over to U.S. Bank. We do not have any of the fine details yet, but wanted to let you know to expect some correspondence from us about the transition. We would like to take this opportunity to be sure all of our financial contacts at your lending institution are correct, and that we have proper wiring instructions from you. We expect some processes to change slightly and will keep you informed as we discover what those are.
- ❖ ARB only lenders are welcome to stay on the line, however the rest of the call pertains to Federal funds and we understand you are busy, so won't be offended if you need to exit the call at this point.

- **SSBCI FEDERAL FUNDS PROGRAM**

- Payment of claims with SSBCI funds

- ❖ At an SSBCI conference in October of 2012 U.S. Treasury informed us that the SSBCI funds cannot be used to pay claims on loans enrolled in CalCAP with an alternative funding source. For example, claims submitted for all loans enrolled with State or other funds prior to CalCAP receiving its Federal allocation must be paid with the balance of non-SSBCI funds in your loss reserve account. Since U.S. Treasury allowed us to comingle the funds in the loss reserve accounts at the start of the Federal Program, CalCAP was under the impression that any funds in the loss reserve account could be used to pay claims on any loan that charged-off. In October, Treasury informed us that this was not the case and action must be taken by CalCAP to remain in compliance. Fortunately, Treasury agreed that we should not have to retroactively correct this due to the lack of clear guidance from them. As a result however, as of October 1, 2012 all claims filed on loans enrolled with non-SSBCI funds cannot be paid with SSBCI funds.

CalCAP will be tracking the balance of non-SSBCI and SSBCI funds in each of the loss reserve accounts to be sure that we do not use

SSBCI funds to pay any portion of a claim filed on a non-SSBCI enrolled loan. U.S. Treasury has also made it clear that any fees associated with an SSBCI loan are considered part of the SSBCI funds. This means that the borrower, lender and state severely affected community premium, if applicable, along with CalCAP's matching SSBCI contribution are all considered part of the SSBCI fund. For those of you holding your own loss reserve accounts you may choose to open another account to separate SSBCI funds from non-SSBCI funds for your own tracking purposes. When we make the switch to US Bank as our new Trustee Bank as Nancee Mentioned earlier, we have considered separating the Trustee held accounts in the same way. This is something we will be discussing more as we get closer to that transition.

Once the Federal program is over, in January 2017, all SSBCI funds remaining with the state become property of California and we will no longer be concerned with separating the funds. Until then we will be closely monitoring all claims filed against your loss reserve accounts.

❖ Potential change to Borrower Certification language

- ❖ About a week and a half ago Treasury mentioned on a phone call they may be revising some of the language on the Borrower Certification Form. The additional language is in regards to the Sex Offender certification and would make it the borrower's responsibility to inform the lender if their sex offender status changes. This would ensure that you as lenders and CalCAP would not be responsible if this happened. We expect to learn more from our SSBCI Conference in two weeks and we will not make any changes until we have more concrete guidance from Treasury. Please be aware that this change may be coming and we will inform you immediately if new language is required as part of the Borrower Certification.

❖ Refinances from a different lending institution

- ❖ I just wanted to remind lenders that when you are refinancing debt from another lending institution, we need to know that the original loan at the other institution was for a qualified small business purpose that meets the current federal requirements. This should be written on the enrollment form under purpose of loan. An example would be "Refinance ABC Bank line of credit for working capital". You should keep documentation in your file to verify the previous loan was for a qualified purpose. In addition I would like to remind lenders

that an acquisition of a business is not an eligible use of federal funds. A borrower can purchase a building or materials of a previous business, but not blue sky or good will. If you have a question about the eligibility of any loan prior to making the loan and considering it for enrollment, we would be happy to discuss it or question US Treasury if necessary.

❖ Collateral Support Program update

- ❖ CalCAP's Collateral Support Program is up and running and has deployed over \$1.7M in collateral support since its first request at the end of March. For those of you who may not remember, Collateral Support can provide up to 50% cash collateral support on loans greater than \$100K. This program is specifically useful for 504 bridge loans but can be used on all qualified small business purposes. For example, if you have a \$500K loan, we can contribute \$250K in cash collateral to be held against the loan. For more information, I'd be happy to talk to you. Please call or email me at 916.654.6061 or ejarrett@treasurer.ca.gov.

- **CLOSING REMARKS**

- ❖ This concludes our call for today. I would like to thank you again for your continued participation in CalCAP and encourage you to take advantage of our collateral support program. As always we value your input and would love to hear from you about concerns or suggestions. You can email any of the staff or call us anytime. If you haven't established a specific contact person yet, you can send an email to CalCAP@treasurer.ca.gov and the proper CalCAP team-member will get back to you right away. Notes from this call will be posted to our website tomorrow if there is anything you would like to refer back to or if you have staff that couldn't be on the call today. Thanks again and have a great afternoon.