



California Pollution Control Financing Authority

California Capital Access Loan Programs: CalCAP Lender Roundtable

July 11, 2017

Reneé Webster-Hawkins
Executive Director



CalCAP Lender Roundtable Agenda

- ***Introductions***
- ***Program Milestones and Accomplishments***
- ***CalCAP Program Rulemaking***
 - ***Objectives of the Rulemaking***
 - ***Recapture***
 - ***Other Program Elements***
 - ***Schedule of the Emergency and Permanent Rulemaking***
 - ***Business Process to Implement Amended Regulations***
 - ***Forms***
 - ***Procedures***
- ***Important Program Responsibilities***
 - ***Quarterly Reports***
 - ***Change in Terms***
- ***Status of CalCAP On-Line Loan Enrollment Application***
 - ***Beta Testing***
 - ***Phase I Implementation***
- ***Q&A***



CalCAP Electric Vehicle Charging Station Financing Program

- **Loss Reserve Program for small businesses with 1000 or fewer employees for installation of EVCS for customers or employees, and for multi-family housing property.**
- **Fees and Contributions**
 - **Lender and Borrower: None.**
 - **CPCFA: 20% of Enrolled Loan Amount**
 - **SAC or Multi-Family: Additional 10%**
 - **Borrower rebate = Half of contribution**
- **First Loan Enrolled! Anza Electric Cooperative**
- **Program Summary, Lender Manual, and Program Forms at:**
<http://www.treasurer.ca.gov/cpcfca/calcap/evcs/index.asp>



California Pollution Control Financing Authority



Status of CalCAP/ADA Financing Program

- **Loss Reserve Program for small businesses with 15 or fewer employees for ADA retrofits.**
- **Fees and Contributions**
 - **Lender and Borrower: 2 – 3.5 %**
 - **CPCFA: 4X the Lender Fee**
 - **SAC: Equal to the Lender Fee**
- **Permanent Regulations effective May 8, 2017**
- **Program Summary, Lender Manual, Program Forms and Video at:**
<http://www.treasurer.ca.gov/cpcfca/calcap/ada/index.asp>



California Pollution Control Financing Authority



Status of CalCAP Seismic Safety Financing Program

- **Loss Reserve Program for small businesses or residential property owners to make seismic safety upgrades for buildings deemed hazardous and in danger of collapse in an earthquake.**
- **Fees and Contributions**
 - **Lender and Borrower: 2 – 3.5 %**
 - **CPCFA: 4X the Lender Fee**
 - **SAC: 2X the Lender Fee**
- **Permanent Regulations effective August 1, 2017 [estimated].**
- **Program Summary, Lender Manual, and Program Forms at:**
<http://www.treasurer.ca.gov/cpcfa/calcap/seismic/summary.asp>



California Pollution Control Financing Authority



CalCAP/ARB Financing Program

- **Loss reserve program for heavy duty vehicle loans for small business owners with fleets of 10 or fewer vehicles.**
- **15,000 clean trucks financed by the program!**
- **Clarified that Compressed Natural Gas technologies (CNG) are eligible under program.**
- **Interagency Agreement amended in June 2016 added \$3 million additional.**



California Pollution Control Financing Authority



CalCAP for Small Business Financing Program

- **March 31, 2017: End of Allocation Agreement with U.S. Treasury.**
- **April 1, 2017: Lender and Borrower Fees changed back to 2 – 3.5%.**
- **April 25, 2017: CalCAP Program Notice forecast the foreseeable end of federal funding.**
- **April 26, 2017: CalCAP Stakeholder Symposium**
- **June 20, 2017: CPCFA Board Meeting Informational Briefing on CalCAP Program Rulemaking**
- **June 30, 2017: CalCAP Annual Report for 2016**
- **Program Notices, Presentations, Annual Report and Audio files at:**
<http://www.treasurer.ca.gov/cpcfca/calcap/index.asp>



California Pollution Control Financing Authority



Key Legislation to Watch

- **AB 1553: Improvements to CalCAP/ADA Program**
 - Allows CPCFA to offset cost of architectural inspection with CPCFA Small Business Assistance Fund monies (from CPCFA's Bond Program)
 - Raises the gross annual revenue ceiling from \$1 million to \$5 million
- **AB 964: Clean Vehicle Financing Assistance Program**
 - Loss Reserve or other credit enhancement for low-income consumer loans for EVs
 - No funding identified yet
- **AB 1184: Electric Vehicle Incentives**
 - Continuous funding for rebates and other EV incentives
 - Comprehensive approach to incentivizing EV sales, car sharing, EV infrastructure
 - No funding identified yet
- **SB 551: Capital Access Loan Program**
 - Reset the Lender and Borrower Fees to 1 – 3.5%
 - Recapture provisions aligned with CPCFA's proposed regulatory program

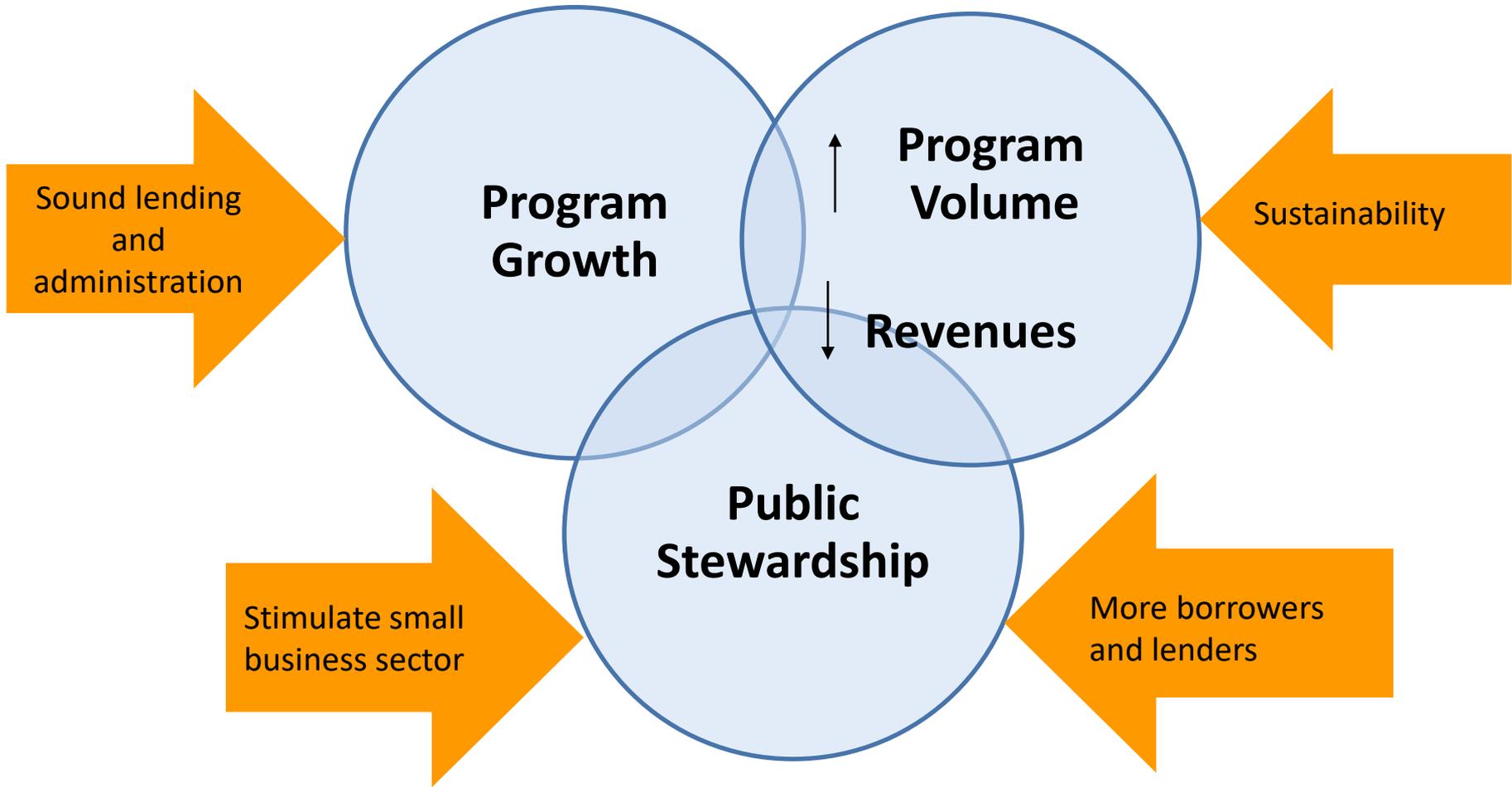
Go to: <http://leginfo.legislature.ca.gov/>
to view the text and analyses of these bills.



California Pollution Control Financing Authority



CalCAP Objectives and Trends



CalCAP Fiscal Data

Program	Program Allocation ¹	Administrative Costs	Net Allocation	Expenditures To Date ²	Remaining Funds	Est. End Date ³
CalCAP/SB Federal	\$20,014,585	\$2,480,958	\$17,533,627	\$16,635,242	\$898,385 ⁵	July 2017
CalCAP/SB State ⁴	\$6,000,000	\$300,000	\$5,700,000	\$3,822,829	\$1,877,171	September 2017
Collateral Support Program	\$65,021,716	\$626,589	\$64,395,127	\$59,337,058	\$5,058,069	December 2017
CalCAP/ARB	\$104,300,000	\$7,301,000	\$96,999,000	\$87,353,277	\$6,282,276	October 2017

¹The allocations are adjusted from the original award from the U.S. Treasury to reflect an additional \$321,716.50 allocated to CalCAP/SB from a fourth tranche awarded in December 2016, and an additional \$440,207.00 reallocated from the Small Business Loan Guarantee Program to the Collateral Support Program in February 2017.

²As of June 16, 2017.

³Estimated based on historic program activity data.

⁴The \$6 million allocation appropriated in 2010 from the State General Fund supports additional matching contributions for borrowers located in severely affected communities, for the occasional loan that does not meet the eligibility criteria under the federal SSBCI program rules and when the federal monies are exhausted.

⁵Pending applications submitted to CPCFA will exhaust these monies upon final approval.



California Pollution Control Financing Authority



Objectives for Regulatory Action: CalCAP for Small Business

Need	Proposed Resolution
End of Allocation Agreement with Treasury (3/31/2017)	Adopt regulations to transfer material program rules to our state program. <ul style="list-style-type: none"> • Refine definition of “refinance” eligible for coverage. • Clarify contents of quarterly reports.
End of SSBCI and 2010 GF Fund monies (August 2017)	Adopt recapture mechanism to recycle older LLR contributions to support future loan enrollments and admin costs.
Refine LLR liquidation	Align the distribution mechanism with state policy to avoid gift of public funds.
Increased desire by lenders to sell loan portfolios.	Clarify the procedure for approval of transfer of enrolled loans and/or amounts of the LLR account.



Objectives for Regulatory Action: Collateral Support Program

Need	Proposed Resolution
End of Allocation Agreement with Treasury (3/31/2017)	<p>Adopt regulations to transfer material program rules to our state program.</p> <ul style="list-style-type: none"> • As a new program under contract with the federal government, no prior regulations describe the program. • Clarify rules applicable to lines of credit. • Clarify claim procedures.



Objectives for Regulatory Action: CaICAP/ARB

Need	Proposed Resolution
Direction by ARB to adopt program regulations	Adopt regulations to transfer material program rules from interagency agreement to regulations
Direction to adopt a recapture mechanism	Adopt recapture mechanism to recycle older LLR contributions to support future loan enrollments and admin costs.
Increased desire by lenders to sell loan portfolios.	Clarify the procedure for approval of transfer of enrolled loans and/or amounts of the LLR account.



Recapture: Growing Sustainable CalCAP Programs (1 of 3)

Actual/Planned	Event
May 2015	Lender Webinar: Discussion of ARB's direction to explore increased program sustainability through changes to contribution rates and recapture of funds.
June 2015	<p>CPCFA Board approved ARB I/A.</p> <p><i>"To increase the longevity of the Program funds, CPCFA may by regulation establish procedures to recapture funds from a lender's loss reserve account on a periodic basis when enrolled loans mature, to be returned to the Program Account to support future contributions for eligible loans and administrative costs."</i></p>
Summer 2015	Discussion with individual lenders regarding contribution rates and recapture.
October 2015	<p>Governor signed AB 1230 implementing CalCAP ADA program, including recapture requirement.</p> <p><i>"The authority shall adopt regulations pursuant to subdivision (c) of Section 44520 to implement the program, including provisions specific to this program as described in this section and further including provisions to: ... (6) Recapture from the loss reserve account the authority's contribution for each enrolled loan upon the maturation of such loan or after five years from the date of enrollment, whichever happens first, to be deposited in the fund and applied to future program and administrative expenditures."</i></p>

Recapture: Growing Sustainable CalCAP Programs (2 of 3)

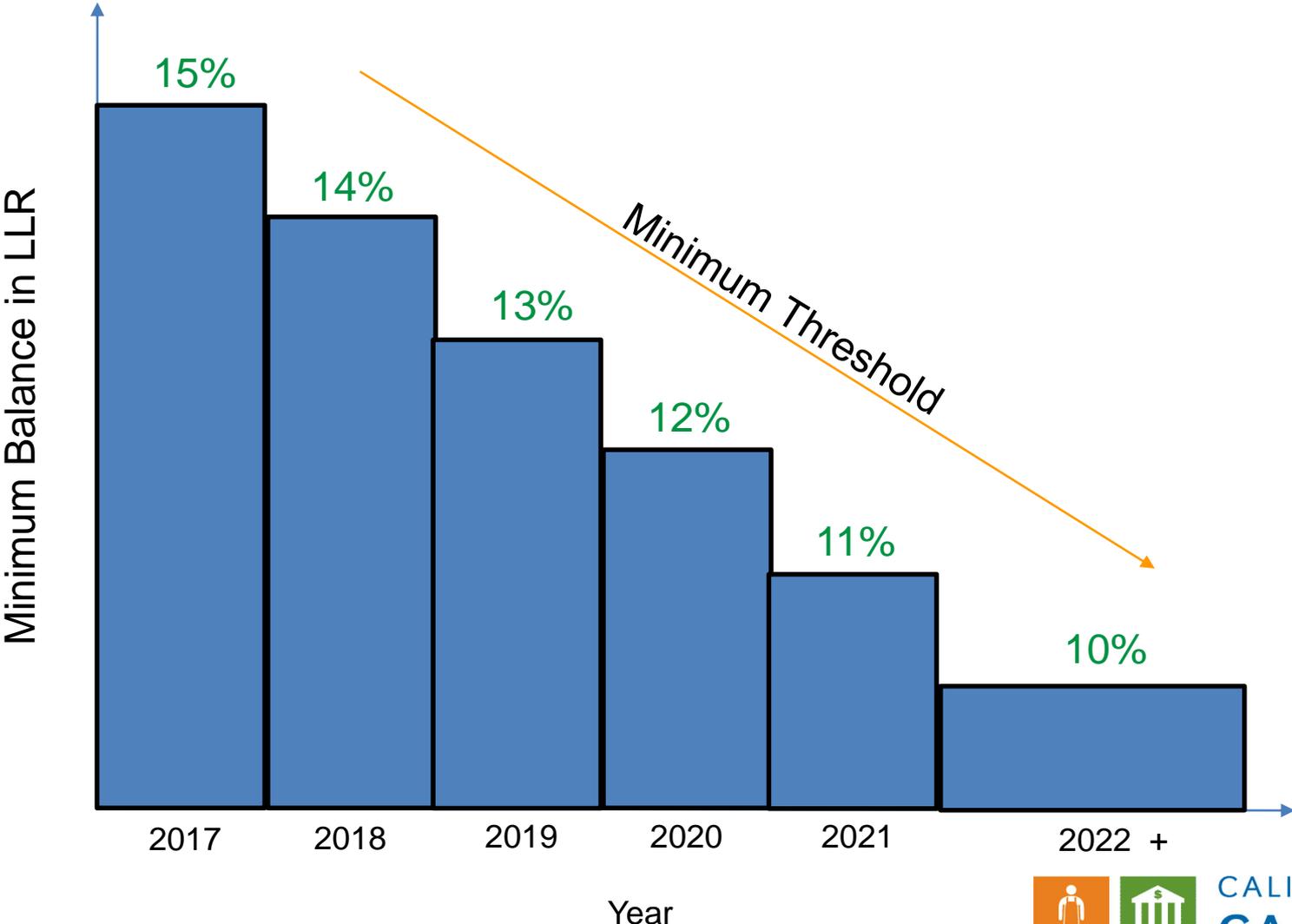
<p>April 2016</p>	<p>Lender Webinar described recapture for CalCAP/ADA.</p>
<p>June 2016</p>	<p>ADA Stakeholder Webinar</p> <p>CPCFA Board approved ARB I/A requiring recapture.</p> <p><i>“To increase the longevity of the Program funds, CPCFA shall pursue a regulation to establish procedures to recapture contribution funds from a lender’s loss reserve account on an annual basis upon maturity of enrolled loans. These funds shall be returned to the Program Account to support future contributions for eligible loans and administrative costs. Recapture is not applicable for contributions on defaulted or charged off loans for which a claim has been approved, unless the amount recovered through the liquidation of the collateral exceeds the approved claim.”</i></p> <p>Presentation of proposed CalCAP/ADA program to CPCFA Board.</p>
<p>June 27, 2016</p>	<p>SB 837 Budget Bill signed, including CalCAP Seismic Safety program.</p> <p><i>“The authority shall adopt regulations pursuant to Section 44520 to implement the program, including, but not limited to, provisions to: ... (6) Recapture from the loss reserve account the authority’s contribution for each enrolled loan upon the maturation of that loan or after 10 years from the date of enrollment, whichever happens first, to be deposited in the fund and applied to future program and administrative expenditures.”</i></p>

Recapture: Growing Sustainable CalCAP Programs (3 of 3)

July 2016	Draft regulations for CalCAP/ADA program posted. Public outreach for CalCAP/ADA statewide and via webinar, to describe program and solicit feedback on draft regulations.
<i>August 3, 2016</i>	Lender Roundtable – Drafting regulation language for recapture mechanisms for sustainability in CalCAP programs.
<i>November 29, 2016</i>	Lender Roundtable – Incorporating new provisions for recapture.
<i>April 26, 2017</i>	Stakeholder Symposium - Discussions regarding different proposed recapture mechanisms.
<i>June 20, 2017</i>	Informational briefing to CPCFA Board regarding proposed regulations for CalCAP/Small Business, CalCAP/ARB and Collateral Support.

Proposal for CalCAP Recapture: Voluntary Step Down to 10% Minimum Threshold

Outstanding Principal Balance



Procedures for Annual Recapture: Voluntary Step Down to 10%

- 1st Calculate:** Amount subject to recapture = total public contributions for loans matured or older than 5 years minus public contributions made for defaulted loans.
 - 2nd Calibrate:** Decrease the amount subject to recapture, if necessary, to maintain the “minimum threshold” of outstanding principal balance of enrolled loans.
 - 3rd Recapture:** Perform recapture annually, after the end of each fiscal year, and deposit in respective program fund.
- **All calculations will be based on June 30, 2017 data**, including the **lender’s quarterly report** stating the outstanding principal loan balances and repayment status of all enrolled loans, and the loss reserve balance reflected on the **bank statements** ending June 30, 2017.

Voluntary Opt-In: Recapture is only applicable to lenders that affirm participation in Recapture and want to enroll loans after August 15th.



Voluntary Step Down to 10%: Pros and Cons

Pros	Cons
<p>Slightly higher than national lending data which reports small business lending portfolios supported by lender-funded anticipated loss reserves of 1-8%.</p>	<p>Unknown whether recapture amounts will sustain either program all year long.</p>
<p>A specific predictable numeric threshold.</p>	
<p>Step down increases the likely amount of available recaptured funds after year 1.</p>	
<p>Opt-in permits lenders to rely on original program rules, with their current portfolio fully supported by the LLR.</p>	



Emergency Regulations Rulemaking Schedule

Date	Rulemaking event
June 20, 2017	CPCFA Board Meeting - Presentation regarding future changes to the ARB Program
July 11, 2017	<ul style="list-style-type: none"> • Lender Roundtable regarding the proposed regulations • 5-day Notice of Proposed Rulemaking posted on CPCFA website and sent to Interested Parties via Listserv
July 18, 2017	CPCFA Board Meeting: Decision on Proposed Rulemaking
July 20, 2017	Emergency regulations filed with OAL
July 25, 2017	Public comment period ends
July 30, 2017	OAL review period ends. If approved, the emergency regulations are filed with the Secretary of State and are in effect.
January 30, 2018	Emergency regulations expire



Permanent Regulations Rulemaking Schedule

Date	Rulemaking event
August 10, 2017	Post Notice of Proposed Rulemaking on CPCFA's website
August 22, 2017	The <i>Rulemaking File</i> and Notice of Publication are filed with the Office of Administrative Law (OAL). The Notice of Proposed Regulatory Action is issued.
September 1, 2017	OAL publishes Notice and 45-day public comment period begins.
October 16, 2017	Public comment period regarding proposed regulations ends.
October 17, 2017	Deliver permanent regulation package to OAL for 30-day review*
November 16, 2017	OAL issues Approval of Certificate of Compliance and files regulations with the Secretary of State. Permanent regulations become effective.
<i>*If public comments are received that warrant substantial modifications to the proposed regulations, then the process will be lengthened to accommodate a 15-day comment period as follows:</i>	
October 18, 2017	Proposed regulation amendments are modified and Notice of Proposed Changes is issued to initiate a 15-day comment period.
November 2, 2017	15-day comment period ends.
November 6, 2017	Deliver permanent regulation package to OAL for 30-day review.
December 6, 2017	OAL issues Approval of Certificate of Compliance and files regulations with the Secretary of State. Permanent regulations become effective.

2017 Recapture Schedule

June 30, 2017	Calculation of the recapture amount will be based on data from 4 th quarter Quarterly Report (fiscal year) and end of fiscal year LLR account statement balance
July 15, 2017	Due date for Quarterly Report and LLR account statement submission
Aug. 1, 2017	Recapture Participation Form will be available on CalCAP webpage
Aug. 15, 2017	Due date for Recapture Participation Form submission for all lenders who will continue enrolling loans in CalCAP
Sept. 30, 2017	CalCAP expects to send lenders their calculated recapture amount to be withdrawn from LLR accounts



Updated Forms

- August 1, 2017 Updated forms and lender manuals posted on CPCFA website
- August 15, 2017 All loan enrollments must be submitted on revised forms



California Pollution Control Financing Authority



Quarterly Reports / Change in Terms



- ❑ Quarterly Reports:
 - ✓ Accurate and complete data
 - ✓ Timely submission
 - ✓ Excel template and instructions are provided on CPCFA website

- ❑ Change in terms:
 - ✓ **Any change in material terms** of an enrolled loan, including:
 - Name of the borrower or co-borrower
 - Total loan amount
 - Maturity date
 - Interest rate
 - ✓ Notify CPCFA within 15 days of the change in these terms



Online Loan Enrollment Application Update

- Web based portal for automated loan enrollments, claim submittal
- Several lenders are currently Beta Testing the electronic application.
- CalCAP anticipates the go live date will be August 1, 2017.
- The dual submission track is estimated to last for 12 months.

The screenshot shows the CalCAP web portal. At the top, there is a navigation bar with the CalCAP logo on the left and links for Home, Applications, Manage Profile, Change Password, and Log off. Below the navigation bar, the main heading reads "CALIFORNIA CAPITAL ACCESS PROGRAM" and "California Pollution Control Financing Authority". A note below the heading states: "(Note: Pictures are not supported with Internet Explorer 9 and earlier.)". The central content area features a large image of the California State Capitol building at night, with the text "CalCAP" overlaid. Below the image, a text box explains: "Loan Loss Reserve is a form of loan portfolio insurance which may provide up to 100% coverage on certain loan defaults. By participating in CalCAP, lenders have available to them a proven financing mechanism to meet the financing needs of California's small businesses." Navigation arrows are visible on either side of the image. At the bottom of the page, there is a footer with the copyright notice "© 2016 - CalCAP - State Treasurer's Office" and the address "801 Capitol Mall, 2nd Floor, Sacramento, CA 95814 - Fax (916) 657-4821".



Online Application Submission Updates

Phase I Implementation

- **Early July 2017** Final stages of beta testing
- **August 1, 2017** Projected implementation date
- **August, 2017** Instructions to register or activate and create user accounts will be send out to lenders
- **August, 2017** Lender training on Automated Enrollment System





California Pollution Control Financing Authority

Questions?

Reneé Webster-Hawkins
Executive Director

