

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

PRESENTS:

LENDER ROUNDTABLE

JULY 11, 2017

LENDER ROUNDTABLE TRANSCRIPT

>> **RENEÉ WEBSTER-HAWKINS:** WELCOME TO THE CALCAP LENDER ROUNDTABLE. GOOD MORNING, EVERYONE! WE HAVE A WONDERFUL ATTENDANCE TODAY. GOOD MORNING. I AM RENEÉ WEBSTER-HAWKINS, EXECUTIVE DIRECTOR OF THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY. AND WITH ME, I HAVE THE CALCAP PROGRAM MANAGERS, BIANCA SMITH AND DOREEN SMITH., AND CALCAP ANALYSTS, CHRISTINA VUE AND LAUREN ROSS.

WE HAVE A FULL AGENDA TODAY. INCLUDING INFORMATION ESSENTIAL FOR YOU AND YOUR COLLEAGUES NEED TO KNOW TO CONTINUE YOUR PARTICIPATION IN THE CALCAP LOAN LOSS RESEVRE PROGRAMS THAT WE OFFER. OUT OF RESPECT FOR EVERYONE'S TIME, WE ARE GOING TO PROCEED THROUGH OUR PREPARED CONTENT TO THE END AND THEN TAKE QUESTIONS. DURING THE MAIN PRESENTATION, YOU WILL BE ON MUTE. BUT THROUGHOUT THE PRESENTATION YOU MAY ENTER QUESTIONS IN THE QUESTIONS BOX. PLEASE USE THE QUESTIONS BOX, NOT THE CHAT BOX. AFTER THE SLIDE DECK IS THROUGH, WE WILL REVIEW THE QUESTIONS PROVIDED IN THE QUESTION BOX AND WE WILL RESPOND TO THOSE THAT ARE OF GENERAL INTEREST TO LENDERS AND OTHER STAKEHOLDERS LISTENING IN. IF A QUESTION IS SPECIFIC TO A CERTAIN LENDER OR SITUATION WE MAY TAKE IT OFF LINE AND A CALCAP REPRESENTATIVE WILL CALL YOU OR EMAIL YOU BACK AFTER THE ROUNDTABLE IS CONCLUDED.

TO SUMMARIZE OUR AGENDA, FIRST WE WILL DESCRIBE THE MILESTONES AND ACCOMPLISHMENTS SINCE THE LAST ROUNDTABLE IN NOVEMBER 2016. WE WILL DESCRIBE THE CALCAP RULEMAKING IN A FAIR AMOUNT OF DETAIL, INCLUDING THE PROGRAM ELEMENTS TO BE AMENDED OR ADDED, THE SCHEDULE FOR THE EMERGENCY AND PERMANENT RULE MAKING AND THE BUSINESS PROCESSES WE WILL COLLECTIVELY FOLLOW TO IMPLEMENT THE REGULATIONS. IN THE AREA OF REMINDERS, WE WILL COVER A COUPLE OF KEY RESPONSIBILITIES NECESSARY FOR EFFECTIVE ADMINISTRATION OF THE CALCAP PROGRAMS. AND LAST, WE WILL GIVE YOU AN UPDATE ON THE DEVELOPMENT OF THE ONLINE LOAN

ENROLLMENT APPLICATION TO HELP YOU TRANSITION TO ELECTRONIC ENROLLMENT VIA A DEDICATED WEB PORTAL RATHER THAN E-MAIL. FOLLOWING THAT, WE WILL ADDRESS YOUR QUESTIONS.

STARTING WITH THE CALCAP ELECTRIC VEHICLE CHARGING STATION FINANCING PROGRAM, IT IS FUNDED BY THE ENERGY COMMISSION AND IT PROVIDES A LOSS RESERVE BENEFIT TO VENDORS IN ROLLING LOANS FOR SMALL BUSINESSES TO INSTALL AND MAINTAIN EVCS EQUIPMENT FOR CUSTOMERS AND EMPLOYEES AND INCLUDES INSTALLATIONS AT MULTIFAMILY HOUSING PROPERTIES. AS WITH THE CALCAP ARB PROGRAM, THERE ARE NO BORROWER OR LENDER FEES IN THIS PROGRAM. CPCFA CONTRIBUTES 20% OF THE ENROLLED LOAN AMOUNT AND INCLUDES AN ADDITIONAL 10% FOR PROJECTS IN EITHER A DISADVANTAGED COMMUNITY OR A MULTIFAMILY HOUSING PROPERTY FOR A MAXIMUM OF 30% OF THE ENROLLED LOAN AMOUNT CONTRIBUTIONS. AFTER THE LOAN MATURES SUCCESSFULLY OR THE 49TH MONTH OF THE DATE OF THE LOAN, BORROWERS WITH A GOOD REPAYMENT HISTORY RECEIVE HALF OF THE TOTAL CPCFA CONTRIBUTION AS A BELATED REBATE ON THE PROJECT. WE ARE HAPPY TO ANNOUNCE THE FIRST LOAN ENROLLED UNDER THIS PROGRAM. IN FEBRUARY WE CELEBRATED THE RIBBON CUTTING ON A TWIN PORT CHARGING STATION IN ANZA ELECTRIC COOPERATIVE IN ANZA, CALIFORNIA. THE LOAN WAS UNDERWRITTEN BY PACIFIC ENTERPRISE BANK, AND THE UTILITIES AND EMPLOYEES AND CUSTOMERS CAN USE THE ELECTRIC CHARGING STATION LOCATED AT THE HEADQUARTER TO CHARGE THEIR ELECTRIC VEHICLES. THERE'S A CRITICAL NEED TO SUPPORT THE INSTALLATION OF EV INFRASTRUCTURE IN THE STATE. THE GOVERNOR'S ZERO EMISSION VEHICLE PLAN CALLS FOR 1.5 MILLION EV VEHICLES ON THE ROADS BY 2025, AND RIGHT NOW THERE ARE ONLY 300,000. ECONOMIC STUDIES HAVE AFFIRMED THE LACK OF PUBLICLY AVAILABLE CHARGING STATIONS A THE PRIMARY BARRIER TO INCREASING THE SALES OF EV. PEOPLE WHO WORK NEED AVAILABLE CHARGING INFRASTRUCTURE AT THEIR PLACE OF EMPLOYMENT. PEOPLE WHO LIVE IN CONDOMINIUMS OR APARTMENT COMPLEXES NEED ACCESS TO CHARGING EQUIPMENT WHEN THEY ARE AT HOME. AS THE PROVIDERS OF PRIVATE CAPITAL, YOU MAY BE THE KEY TO HELPING SMALL BUSINESSES AND MULTI-FAMILY PROPERTY OWNERS TO MEET THIS NEED. PLEASE GO TO OUR WEBSITE URL SO YOU CAN SIGN UP TO PARTICIPATE IN THIS IMPORTANT PROGRAM.

THE CALCAP AMERICANS WITH DISABILITY ACT FINANCING PROGRAM PROVIDES LOAN LOSS RESERVE SUPPORT FOR SMALL BUSINESSES WITH 15 OR FEWER EMPLOYEES TO CARRY OUT FACILITY IMPROVEMENTS TO COMPLY WITH THE ADA. ASSEMBLY BILL 1230 BY NOW CONGRESSMAN JIMMY GOMEZ, APPROPRIATED \$10 MILLION TO THIS PROGRAM TO ENCOURAGE IMPROVED ACCESSIBILITY IN CALIFORNIA SMALL BUSINESSES.

ON THIS SLIDE WE LISTED THE ROBUST CONTRIBUTION THAT CPCFA MAKES ON TOP OF THE USUAL BORROWER FEES FOR LOANS ENROLLED IN THIS PROGRAM. IN 2016 CPCFA ADOPTED THE EMERGENCY AND PERMANENT REGULATIONS. SINCE THEN, CPCFA STAFF HAS BEEN ENGAGED IN SIGNIFICANT OUTREACH IN ALL AREAS OF THE STATE, TOGETHER WITH THE SMALL BUSINESS ADVOCATE FROM GO BIZ IN THE GOVERNOR'S OFFICE, THE DIVISION OF THE STATE ARCHITECT, AND CALIFORNIA COMMISSION ON DISABILITY ACCESS. WE HAVE MET WITH THOSE VERY INTERESTED IN THE PROGRAM. WE ARE HAPPY TO HAVE THREE LENDERS APPROVED TO ENROLL LOANS IN THIS PROGRAM AND ARE EAGER TO WELCOME MORE LENDERS INTERESTED IN THE ADA CALCAP PROGRAM. WE HAVE IDENTIFIED THE URL WHERE YOU CAN GET MORE INFORMATION AND THE ENROLLMENT FORMS FOR THIS PROGRAM. ALSO, FEEL FREE TO CALL CALCAP AND SPEAK WITH US ABOUT JOINING THE PROGRAM. WE KNOW THAT THERE ARE MANY SMALL BUSINESSES ARE FEARFUL OF BEING THE SUBJECT OF LITIGATION FOR FAILURE TO COMPLY WITH THE ADA, AND THIS PROGRAM IS DESIGNED TO ASSIST THEM IN MAKING THE IMPROVEMENTS AND SIGNAGE UPGRADES TO ENSURE ACCESSIBLE FACILITIES.

OUR NEWEST PROGRAM IS THE CALCAP SEISMIC SAFETY FINANCING PROGRAM THAT PROVIDES LOAN LOSS RESERVE SUPPORT FOR SMALL BUSINESSES AND RESIDENTIAL PROPERTY OWNERS TO CARRY OUT FACILITY IMPROVEMENTS TO MEET SEISMIC SAFETY STANDARDS. THE BILL BY SENATOR NAZARIAN APPROPRIATED \$10 MILLIONS TO THIS PROGRAM, TO ENCOURAGE PROPERTY OWNERS TO MAKE SEISMIC SAFETY UPGRADES TO THEIR PROPERTY. ADDITIONALLY THERE ARE TWO LOCAL JURISDICTIONS INCLUDING LOS ANGELES AND SAN FRANCISCO WHICH HAVE LOCAL REGULATORY PROGRAMS MANDATING SEISMIC SAFETY UPGRADES FOR TAGGED BUILDINGS DEEMED HAZARDOUS AND IN DANGER OF COLLAPSE IN AN EARTHQUAKE. WE HAVE INDICATED THE GENEROUS CONTRIBUTIONS FOR ENROLLING LOANS IN THE SEISMIC SAFETY PROGRAM. IN ADDITION TO THE USUAL LENDER AND BORROWER FEES APPLICABLE TO MOST

OF THE CALCAP PROGRAMS, CPCFA CONTRIBUTES FROM FOUR TO SIX TIMES THE LENDER FEE FOR EACH ENROLLED LOAN.

IN NOVEMBER 2016, CPCFA BEGAN THE EMERGENCY RULEMAKING, WHICH BECAME EFFECTIVE DECEMBER 27TH, 2016. THE PERMANENT RULEMAKING SUBSEQUENTLY ENSUED ACCEPTING PUBLIC COMMENTS, AND WE EXPECT THAT THE PERMANENT RULEMAKING WILL CONCLUDE ON AUGUST 1ST, 2017. AS WITH THE CALCAP ADA PROGRAM, CPCFA HAS BEEN ENGAGED IN SIGNIFICANT OUTREACH FOR THE SEISMIC SAFETY PROGRAM IN ALL AREAS OF THE STATE, AND FOCUSING ALSO ON THE BAY AREA AND LOS ANGELES. WE HAVE PARTICIPATED IN EVENTS HOSTED BY THE CALIFORNIA EARTHQUAKE AUTHORITY TO ENSURE OUR PROGRAM IS COMPLEMENTARY WITH THE BRACE AND BOLT PROGRAM. THE CALIFORNIA MORTGAGE BANKERS ASSOCIATION HAS HOSTED A STATEWIDE WEBINAR AND VIDEO PROMOTING THE PROGRAM. WE HAVE PARTICIPATED IN EVENTS PRESENTED WITH THE MAYOR OF LOS ANGELES, AND MET WITH OFFICIALS AND SMALL BUSINESSES AND RESIDENTIAL PROPERTY OWNERS AND COMMUNITY MEMBERS VERY INTERESTED THIS PROGRAM. EACH WEEK WE FIELD A NOTABLE NUMBER OF CALLS FROM PROPERTY OWNERS WHO WOULD LOVE TO PARTICIPATE IN THIS PROGRAM. WE NEED LENDERS TO ENROLL AND SIGN UP. RIGHT NOW, WE HAVE TO TELL THE MANY POTENTIAL BORROWERS THAT NO LENDERS ARE CURRENTLY UNDERWRITING LOANS IN THIS PROGRAM. WE WOULD LOVE TO SEE THAT TREND CHANGE WITH YOUR HELP. ON THIS SLIDE WE HAVE THE URL WHERE YOU CAN GET INFORMATION ABOUT THE PROGRAM AS WELL AS LENDER APPLICATIONS AND LOAN ENROLLMENT FORMS. CALL CALCAP TO SPEAK WITH US ABOUT JOINING THE PROGRAM, IN HIGH DEMAND WITH PROPERTY OWNERS FROM THE STATE.

WE KNOW THERE ARE -- EXCUSE ME -- MOVING ON TO THE CALCAP ARB FINANCING PROGRAM. THIS IS OUR LOSS RESERVE PROGRAM THAT MANY OF YOU ARE ACTIVE PARTICIPANTS IN, A LOAN LOSS RESERVE PROGRAM FOR HEAVY-DUTY VEHICLE LOANS, FOR SMALL BUSINESS OWNERS FLEETS OF 10 OR FEWER VEHICLES. WE ARE HAPPY TO CELEBRATE THIS MONTH THE 15,000TH CLEAN TRUCK FINANCED BY THIS PROGRAM.

IN THE LAST FEW MONTHS, WE HAVE CLARIFIED THAT IN ADDITION TO UPGRADES TO DIESEL ENGINES, THAT WE ALSO CAN ACCEPT LOAN ENROLLMENT FOR TRUCKS USING COMPRESSED

NATURAL GAS TECHNOLOGIES CONSISTENT WITH ARB'S EMISSION STANDARDS. IN ADDITION, WE ENTERED INTO AN INTERAGENCY AGREEMENT AMENDMENT IN JUNE 2017 WHICH ADDED \$3 MILLION TO THE PROGRAM.

LASTLY, TURNING TO THE CALCAP FOR SMALL BUSINESS FINANCING PROGRAM. AS YOU ALL SHOULD KNOW, BASED ON THE INFORMATION PROVIDED THROUGH THE CALCAP PROGRAM NOTICES, THE CALCAP STAKEHOLDER SYMPOSIUM AND THE CPCFA BOARD INFORMATIONAL BRIEFING, THE ALLOCATION AGREEMENT WITH THE U.S. TREASURY ENDED ON MARCH 31ST, 2017. PER A SUNSET PROVISION IN THE STATUTE, THE LENDER AND BORROWER FEES CHANGED BACK TO THE RANGE OF 2-3.5% ON APRIL 1ST, 2017. AND ALSO CPCFA FORECASTED THE FORESEEABLE END OF THE FEDERAL MONEY AND PROVIDED INFORMATION FOR LENDERS TO PREPARE TO SWITCH BACK TO THE STATE FUNDED SMALL BUSINESS PROGRAMS.

EACH OF THOSE EVENTS AND NOTICES HAS BEEN ANNOUNCED THROUGH THE CPCFA LISTSERV AND THE PRESENTATIONS AND NOTICES ARE ALL POSTED ON THE CALCAP WEBSITE. SO IN THE CHANCE THAT YOU DID NOT SEE THOSE PRESENTATION OR NOTICES, PLEASE CONSULT OUR WEBSITE AND VIEW THE PRESENTATIONS AND READ THE NOTICES. THEY ARE VERY GERMANE TO YOU AS LENDERS, AS WE MOVE FORWARD THROUGH OUR CALCAP PROGRAM RULEMAKING. PLEASE TAKE TIME TO VISIT THE ARCHIVES ON OUR CALCAP WEB PAGE. ADDITIONALLY, IF YOU ARE INTERESTED IN PROGRAM INFORMATION, INCLUDING THE NUMBER OF LOANS ENROLLED, PROGRAM CONTRIBUTIONS MADE, AND DEFAULT AND CLAIM DATA FOR EACH OF OUR CALCAP PROGRAMS, THE CALCAP STAFF POSTED OUR 2016 ANNUAL CALCAP PROGRAM REPORT TO THE LEGISLATURE ON OUR WEBSITE ON JUNE 30TH, 2017.

WE WANTED TO HIGHLIGHT A FEW LEGISLATIVE BILLS THAT ARE CURRENTLY ACTIVE IN THE CURRENT SESSION AT THE LEGISLATURE, GERMANE TO OUR CALCAP PROGRAM. A KEY BILL THAT WE SPONSORED IS ASSEMBLY BILL 1553, WHICH WOULD MAKE TWO AMENDMENTS TO THE ADA CALCAP PROGRAM TO INCREASE THE ABILITY OF SMALL BUSINESSES TO UTILIZE THE PROGRAM. FIRST, IT WOULD GIVE CPCFA THE AUTHORITY TO USE OUR SMALL BUSINESS ASSISTANCE FUNDS, WHICH ARE MONIES A CUED FROM OUR BOND ISSUANCES TO OFFSET THE COST OF THE REQUIRED ARCHITECTURAL INSPECTIONS THAT BORROWERS MUST OBTAIN BEFORE AN ELIGIBLE LOAN IS ENROLLED ON THEIR BEHALF. SECOND, IT WOULD RAISE THE

MAXIMUM ALLOWABLE GROWTH REVENUE FOR ELIGIBLE BORROWER FROM \$1 MILLION TO \$5 MILLION. THE COST CAN BE PROHIBITIVE TO VERY SMALL BUSINESSES. ADDITIONALLY, OUR OWN EXISTING PROGRAM DATA SUGGESTS THAT IT IS NOT UNCOMMON FOR BUSINESSES WITH 15 OR FEWER EMPLOYEES TO RECEIVE UP TO \$5 MILLION PER YEAR IN REVENUE. SO TOGETHER WE HOPE THESE WILL MAKE THE PROGRAM MORE ATTRACTIVE TO SMALL BUSINESSES ENABLE MORE OF THEM TO APPLY TO A LOAN TO INCREASE ACCESS TO CALIFORNIANS WITH DISABILITIES. THIS BILL HAS PASSED THROUGH THE ASSEMBLY, AND IT'S MOVING THROUGH THE SENATE. IF IT'S PASSED AND SIGNED BY THE GOVERNOR, IT WOULD TAKE EFFECT ON JANUARY 1ST, 2018 AND WE WOULD CONDUCT THE RULEMAKING TO AMEND THE EXISTING CALCAP PROGRAM REGULATIONS TO INCLUDE THE NEW PARAMETERS.

WE ARE ALSO FOLLOWING ASSEMBLY BILL 964. THIS BILL WAS INTRODUCED BY ASSEMBLY MEMBER JIMMY GOMEZ AND PROPOSES THAT CPCFA DEVELOP AND ADMINISTER A LOAN LOSS RESERVE PROGRAM TO SUPPORT CONSUMER LOANS FOR LOW INCOME, WORKING-CLASS INDIVIDUALS TO PURCHASE ELECTRIC VEHICLES. WE BELIEVE THAT THE BILL IS WELL INTENTIONED TO IDENTIFY A WAY FOR LOWER INCOME CALIFORNIANS TO HAVE ACCESS TO THE SAME KINDS OF FINANCING OPTIONS AS DO THOSE THAT EARN HIGHER WAGES. HOWEVER, THERE ARE A NUMBER OF PROVISIONS IN THE BILL THAT WOULD MAKE THE PROGRAM VERY DIFFERENT THAN THE TRADITIONAL LOSS RESERVE PROGRAMS. THE MOST NOTICEABLE IS IT WOULD REQUIRE CPCFA TO CONDUCT A PARALLEL UNDERWRITING TO DETERMINE WHETHER THE BORROWER CAN AFFORD THE PAYMENTS FOR THE LOAN. ADDITIONALLY, THE BILL WOULD LIMIT THE LENDER'S ABILITY TO COLLECT ON THE DEFAULT TO THE KELLY BLUE BOOK VALUE OF THE CAR AT THE TIME OF DEFAULT. THE AUTHOR'S STAFF DIDN'T NECESSARILY CONSULT WITH LENDERS IN ADVANCE TO SEE IF THEY WOULD BE INTERESTED IN PARTICIPATING IN THE PROGRAM AS DESCRIBED IN THE BILL. WE ESTIMATE TO HAVE A MEANINGFUL IMPACT STATEWIDE, THIS BILL NEEDS SIGNIFICANT FUNDING OVER SIX YEARS. IF YOU ARE INTERESTED IN THE BILL, I WOULD ENCOURAGE YOU TO READ THE COMMITTEE ANALYSIS, EVEN THOUGH THE BILL HAS NO FUNDING YET IDENTIFIED, IT HAS PASSED THROUGH THE ASSEMBLY AND IT'S MOVING THROUGH THE SENATE POLICY COMMITTEES. IF YOU HAVE ANY CREATIVE IDEAS OR CONCERNS ABOUT THIS BILL, PLEASE CONTACT ME. I WOULD WELCOME YOUR INPUT.

WE ARE ALSO FOLLOWING AB-1184, WHICH SEEKS TO ESTABLISH A LONG-TERM SUPPLY OF FUNDING TO ENSURE THAT INCENTIVES FOR ELECTRIC VEHICLES ARE CONTINUOUSLY AVAILABLE AND ALSO TO DEVELOP A COMPREHENSIVE APPROACH TO THE VARIETY OF INCENTIVES BEING OFFERED OR PROPOSED TO INCREASE SALES OF NEW AND USED ELECTRIC VEHICLES, INCLUDING BUSINESS OWNERS AND FLEET VEHICLES. ONE ELEMENT MENTIONED IS CREDIT ENHANCEMENT PROGRAM MUCH LIKE THAT DESCRIBED IN THE BILL. CPCFA IS NOT NAMED IN THE BILL. HOWEVER, WE BEEN CONSULTED AS TO OUR ADVICE ABOUT THE CONTINUOUS SUPPLY OF FUNDING, AS WELL AS THE FINANCING ASSISTANCE AND OTHER INCENTIVES FOR BUSINESS AND PERSONAL PURCHASES.

LASTLY, YOU'RE HOPEFULLY AWARE, SENATE BILL 551. THIS BILL HAS BEEN SUBSTANTIALLY AMENDED SINCE IT WAS INTRODUCED BASED ON THE LEGISLATURE'S UNDERSTANDING OF OUR EXPERTISE IN ADMINISTERING THE CALCAP PROGRAMS. NOTABLY IT WOULD RESET THE LENDER AND BORROWER FEES BACK TO 1 FROM THE 3.5% RANGE FOR THE CALCAP BUSINESS PROGRAM. SECONDLY, THE LATEST AMENDMENT ALIGN THE PROPOSED RECAPTURE MECHANISM WITH CPCFA'S STAFF RECOMMENDATION THAT WILL BE INCLUDED IN THE PROGRAM RULEMAKING, AND WE WILL GO INTO DETAIL INTO THE PROPOSED RECAPTURE MECHANISM IN A BIT. FOR ANY OF THESE BILLS, PLEASE GO TO THE LEGINFO WEBSITE AT THE URL IDENTIFIED ON THE SLIDE SO YOU CAN TRACK THE TEXT, AMENDMENTS, STAFF ANALYSES, AND BILL STATUS.

TO SUMMARIZE WHAT WE HAVE PRESENTED DURING THE CALCAP STAKEHOLDERS SYMPOSIUM IN APRIL AND TO THE CPCFA BOARD IN JUNE, THESE ARE THE KEY DYNAMICS LEADING CPCFA STAFF TO PROPOSE A COMPREHENSIVE RULE MAKING FOR THE CALCAP FOR SMALL BUSINESS AND CALCAP ARB PROGRAMS. WE HAVE HAD INCREDIBLE PROGRAM GROWTH SINCE THE CALCAP PROGRAM WAS ESTABLISHED IN 1994 IN TERMS OF DEMAND, REVENUES, AND LOAN ENROLLMENT VOLUME. CLAIM ACTIVITY HAS RISEN DRAMATICALLY AS WELL. AS THE PROGRAM GROWS, TO ENSURE PROGRAM EFFICIENCY AND INTEGRITY, WE NEED BOTH THE STATES AND OUR PARTICIPATING FINANCIAL INSTITUTIONS TO REMAIN DILIGENT IN SOUND ADMINISTRATIVE AND LENDING PRACTICES. OUR STEADY STREAM OF PROGRAM REVENUE IS COMING TO AN END, AND WE ARE NOW REACHING THE FORESEEABLE END OF THE REVENUES IN BOTH PROGRAM. THE ALLOCATION AGREEMENT WITH THE U.S. TREASURY FOR FEDERALLY

FUNDS ENDED ON MARCH 31ST AND WILL CEASE TO GOVERN THE ADMINISTRATION OF THOSE FUNDS ONCE THEY ARE EXPENDED. AS FOR THE TRUCK LOAN PROGRAMS, WHILE THE CALCAP ARB PROGRAM REMAINS A STRONG PRIORITY FOR THE AIR RESOURCES BOARD, THE ARB MUST ALSO INVEST THE FINITE AMOUNT OF FUNDING IN THE AIR QUALITY IMPROVEMENT PLAN IN AN EXPANDING LIST OF TECHNOLOGY AND INDUSTRIAL PRIORITIES. SO WE ARE BEING ASKED TO STRETCH THE EFFECTIVENESS OF THE FUNDING WE HAVE RECEIVED SO FAR.

SO A PRINCIPLE DRIVER OF THE REGULATORY PACKAGE WE ARE PREPARING IS TO ENSURE THE SUSTAINABILITY OF THE PROGRAMS, TO SUPPORT FUTURE LENDING TO SMALL BUSINESS BORROWERS THROUGHOUT THE STATE IN THE FORESEEABLE FUTURE, EVEN WITHOUT A STEADY SUPPLY OF NEW FUNDING. RECAPTURE IS ESSENTIAL IF WE ARE TO CONTINUE THE SUPPORT OF THE ENROLLMENT OF NEW LOANS AFTER THE SUMMER. OUR ROLE AS PUBLIC STEWARDS OF THESE FUNDS URGES US TO CONTINUE TO FIND WAYS TO MAKE THE PROGRAMS SUSTAINABLE, ACCOUNTABLE AND ACCESSIBLE TO MORE LENDERS AND BORROWERS. AT ALL TIMES IF EVERYTHING WE DO HERE AT CPCFA WE ARE MINDFUL OF OUR DUTY TO BE ACTIVE PUBLIC STEWARDS OF TAXPAYER FUNDING, WHILE ENSURING AVAILABILITY OF THE PROGRAM TO THE WIDEST NUMBER OF SMALL BUSINESS OWNERS. AT THE HEART OF CALCAP IS THE NOTION THAT BY PROVIDING A CREDIT ENHANCEMENT TO SUPPORT PRIVATE COMMERCIAL LENDING, THE SMALL BUSINESS SECTOR CAN BE SUSTAINED, CAN GROW, AND CAN CREATE MORE JOBS AND ECONOMIC OPPORTUNITIES FOR CALIFORNIANS. IN THE ENVIRONMENT THAT WE HAVE JUST DESCRIBED, A PROGRAM GROWTH AND DECLINING NEW RESOURCES, BEING GOOD PUBLIC STEWARDS IN LARGE PART MEANS KEEPING AN EYE ON THE PROGRAM INTEGRITY, OPERATIONS AND ACCESSIBILITY TO LENDERS BORROWERS IN ALL SECTORS IN CALIFORNIA. THEREFORE THE RULE MAKING PACKAGE ALSO INCLUDES RECOMMENDATIONS TO SOLIDIFY BEST PRACTICES RELATED TO LOAN ENROLLMENT, CLAIM REIMBURSEMENTS AND MONITORING. IN THIS ROUNDTABLE WE WILL DESCRIBE THE KEY ADMINISTRATIVE AREAS WHICH WILL BE REVISED UP AND INDICATED IN THE CALCAP REGULATIONS.

THIS SLIDE SUMMARIZES THE CALCAP FISCAL DATA SHOWING THE CONDITION OF OUR MAIN PROGRAM FUNDS. THOSE OF YOU THAT HAVE ATTENDED THE STAKEHOLDER SYMPOSIUM OR THE CPCFA BOARD BRIEFING SHOULD RECOGNIZE THIS SLIDE. THE DATA HAS BEEN UPDATED AS OF THIS WEEK. FOR EACH PROGRAM WE HAVE PROVIDED THE TOTAL FUNDING INITIALLY

AVAILABLE BY THE PROGRAM, THE SHARE OF THE PROGRAM FUNDING EXTENDED OR AVAILABLE FOR ADMINISTRATIVE COSTS AND THE NET FUNDING AVAILABLE FOR PROGRAM CONTRIBUTIONS. WE HAVE INDICATED THE PROGRAM EXPENDITURES FOR EACH PROGRAM AS OF LAST WEEK. AND THE REMAINING FUND PROGRAMS AS OF THAT TIME AVAILABLE FOR CPCFA CONTRIBUTIONS IN EACH PROGRAM.

LOOKING AT THE TOP LINE, OUR STAFF ESTIMATES THAT THE END OF THE INITIAL \$20 MILLION IN FEDERAL -- SMALL BUSINESSES IS VERY NEAR. IT IS IMPOSSIBLE TO FORECAST PRECISELY, SINCE THE CALCAP PROGRAMS WE DO NOT OBLIGATE THE FUNDING UNTIL FINAL APPROVAL BY CPCFA. HOWEVER, IN ADDITION TO THE EVER-INCREASING NUMBER OF LOAN APPLICATIONS SUBMITTED IN THE FIRST TWO QUARTERS OF 2017, WE HAVE RECEIVED A SIGNIFICANT NUMBER OF LARGER LOANS, WHICH HAS PRESENTED THE POTENTIAL OF A SOMEWHAT UNEXPECTED INCREASE IN THE RATE OF EXPENDITURES. IN THE PROGRAM NOTICE THAT WE ISSUED AT THE END OF APRIL, WE EXPLAINED THAT ONCE THE FEDERAL FUNDING IS EXHAUSTED, WE WILL REVERT TO OUR STATE FUNDS, OF WHICH WE HAVE 1.9 MILLION REMAINING, AS WELL AS THE RULES AND CONTRIBUTION RATES ASSOCIATED WITH THE STATE'S FUNDED PROGRAM TO IMPROVE AND FUND THE CREDIT ENHANCEMENT FOR SUBSEQUENT LOAN ENROLLEES. AT THAT POINT OUR CPCFA CONTRIBUTION WILL BE EQUAL TO THE LENDER FEE ONLY AND THE CONTRIBUTION AND FEES FOR THESE LOANS WILL BE DEPOSITED IN EACH LENDER'S CALCAP STATE LOSS RESERVE ACCOUNT. THE SECOND ROW IDENTIFIES THE FUNDS REMAINING IN THE STATE FUND, WHICH WE INITIALLY RECEIVED IN 2010. OF THE INITIAL \$6 MILLION, WE HAVE 1.9 MILLION REMAINING, IT HAS BEEN STEADILY SUPPORTING IN ADDITIONAL INCENTIVES FOR LOANS MADE TO BORROWERS LOCATED IN AREAS OF HIGH UNEMPLOYMENT AS WELL AS THE OCCASIONAL LOANS THAT IS NOT ELIGIBLE UNDER THE FEDERAL RULES. THE EXPENDITURE RATE OF THESE FUNDS WILL ACCELERATE WITH THE PRIMARY SOURCE FUNDING FOR ALL CONTRIBUTIONS.

WE HAVE INDICATED THAT THE FUNDING MAY END IN SEPTEMBER, BUT PLEASE NOTE THAT THIS WAS A BACK OF THE ENVELOPE ESTIMATE TO BE DETERMINED ONLY BY THE NUMBER AND SIZE OF LOANS ENROLLED BY LENDERS, AS WELL AS THE LENDER FEES ELECTED BY EACH LENDER FOR EACH LOAN. WE HAVE INCLUDED THE DATA RELATIVE TO OUR COLLATERAL SUPPORT PROGRAM. CONTINUES TO BE WELL UTILIZED AND WE BELIEVE THAT THE REMAINING INITIAL

FUNDS ALLOCATED BY THE FEDERAL GOVERNMENT WILL BE EXHAUSTED BY DECEMBER OF 2017. AND LASTLY, IN OUR HEAVY-DUTY VEHICLE LOAN PROGRAM, OF THE \$104 MILLION TOTAL ALLOCATED TO THE ARB, WE HAVE APPROXIMATELY \$6.3 MILLION REMAINING, WHICH IF THE SPRING AND SUMMER PROVES TO BE AS ROBUST OF A SALES SEASON AS IN PREVIOUS YEARS WILL LAST UNTIL OCTOBER OF 2017. AN INTERAGENCY AMENDMENT APPROVED IN JUNE 2017 ADDED ANOTHER \$3 MILLION, AND WE HOPE TO RECEIVE THE FUNDS WITHIN THE NEXT MONTH. WHAT REMAINS UNKNOWN IS HOW MUCH MONEY WILL BE ALLOCATED TO THIS PROGRAM OUT OF ARB'S AQIP FUNDING PLAN WHICH IT WILL APPROVE IN SEPTEMBER 2017.

SO TURNING TO THE OBJECTIVES FOR THE REGULATORY PACKAGE, SPECIFY THE AREAS OF FOCUS. STARTING WITH THE CALCAP PROGRAM FOR SMALL BUSINESS. GIVEN THE END OF THE ALLOCATION AGREEMENT, WE SEEK TO ENSURE THAT ANY PROGRAM RULES WHICH HAVE BEEN REQUIRED BY THE U.S. TREASURY AND WHICH WE HAVE FOUND TO BE HELPFUL FOR THE SOUND AND EFFECTIVE ADMINISTRATION OF THE PROGRAM ARE INCLUDED IN OUR REGULATIONS. WE ARE CREATING A UNIFORM DEFINITION OF REFINANCE, WHICH WILL APPLY TO ALL PROGRAMS, TO REDUCE THE CONFUSION WE HAVE EXPERIENCED BETWEEN THE STATE AND FEDERAL PROGRAMS FOR THE LAST SIX YEARS. WE WILL BE REVISING THE LENDER AND BORROWER CERTIFICATIONS TO RETAIN THOSE ESSENTIALS FOR SOUND PROGRAM OVERSIGHT. NOTABLY, WE ARE ELIMINATING THE REQUIREMENT THAT A CERTIFICATION RELATES TO ONE'S STATUS AS A SEX OFFENDER.

SINCE OUR CURRENT QUARTERLY REPORTS ARE LARGELY DRIVEN BY THE DATA REQUIREMENTS UNDER THE ALLOCATION AGREEMENT WITH THE U.S. TREASURY, WE ARE SPECIFYING IN THE REGULATORY PACKAGE THE DATA TO BE PROVIDED IN THE LENDER'S QUARTERLY REPORTS. GIVEN THE FORESEEABLE END OF OUR SSBCI AND GENERAL FUND MONIES, WE DESCRIBE A RECAPTURE MECHANISM TO BE DETAILED JUST A MOMENT. WE ALSO PROPOSED TO REFINE THE MANNER IN WHICH LOAN LOSS ACCOUNTS ARE DIDN'T AFTER A LENDER ENDS PARTICIPATION IN CALCAP. CURRENTLY ONCE THE LENDER STOPS ENROLLING LOANS IN THE PROGRAM ALL PREVIOUSLY ENROLLED LOANS MUST FULLY MATURE BEFORE THE ACCOUNT IS DISSOLVED, AND THAT WILL REMAIN THE SAME. THE DIFFERENCE WILL BE IN THE FORMULA APPLIED TO THE REMAINING FUNDS IN THE ACCOUNT AFTER A LOAN PORTFOLIO HAS MATURED. A CONCERN HAS BEEN RAISED THAT THE CURRENT FORMULA CONSTITUTES A GIFT

OF PUBLIC FUNDS WITHOUT A RATIONAL BASIS. AS PROVIDED IN THE CALCAP STATUTE THE MOMENT THAT ANY FUNDS ARE DEPOSITED IN A LOSS RESERVE ACCOUNT THE MONEY BECOMES THE PROPERTY OF CPCFA. EVEN SO, THE CURRENT REGULATIONS PROVIDE THAT THE LENDER RECEIVE THE PROPORTION OF THE FUND BALANCE RELATED TO THE LENDER AND BORROWER FEES DEPOSITED THE ACCOUNT. HOWEVER, THERE IS NO POLICY RATIONALE FOR PROVIDING THE LENDER FEES DEPOSITED BY THE BORROWER. IF THE FEES ARE PAID OUT OF POCKET BY THE BORROWER, THE LENDER HAS NO ENTITLEMENT TO THESE FUNDS. IF THE LENDER PAID THE BORROWER'S FEE AND INCLUDED THE AMOUNT OF THE FEE IN THE PRINCIPLE OF THE LOAN THEN THE LENDER HAS BEEN ADEQUATELY REMUNERATED BY THE PAYMENT OF PRINCIPAL AND INTEREST OF THE BORROWER. AND THEREFORE TO AVOID THE GIFT OF PUBLIC FUNDS, THE REGULATION WILL INCLUDE A CHANGE TO THE DISBURSEMENT BY AWARDING THE LENDER THE AMOUNT IN THE LOAN LOSS RESERVE -- PROPORTIONATE TO THE LENDER'S FEES, WITH THE REMAINING REVERTING TO CPCFA TO FUND FUTURE PROGRAM EXPENDITURES AND FUTURE LOAN ENROLLMENTS BY ALL PARTICIPATING LENDERS.

LASTLY, THERE HAS BEEN INCREASING DESIRE BY LENDERS TO SELL OR TRANSFER THEIR INTEREST IN THEIR CALCAP PORTFOLIOS TO OTHER LENDERS. SO THE REGULATORY PACKAGE WILL INCLUDE PROCEDURAL STEPS CPCFA HAS DEVELOPED INFORMALLY IN RESPONSE TO THE REQUESTS TO STANDARDIZE THE APPROACH AND ENSURE THAT ALL LENDERS ARE AWARE OF THE PROCESS FOR OBTAINING CPCFA'S PRIOR APPROVAL OF SUCH TRANSFERS.

THE OBJECTIVES FOR THE REGULATORY ACTION IN SUPPORT OF THE COLLATERAL SUPPORT PROGRAM ARE AS FOLLOWS: CPCFA DEVELOPED THIS PROGRAM WITH THE FEDERAL MONEY AND HAS ADMINISTERED IT ACCORDING TO A PROGRAM SUMMARY AND PROGRAM GUIDELINES ADOPTED INFORMALLY BY OUR BOARD IN 2013, AND WE NOW NEED TO FORMALIZE THOSE PROGRAM RULES IN OUR REGULATIONS NOW THAT THE ALLOCATION AGREEMENT HAS EXPIRED. SO OUR PRIMARY OBJECTIVES ARE TO PUT INTO REGULATION THE KEY ELEMENTS OF OUR PROGRAM GUIDELINES ADOPTED BY THE BOARD IN 2013, TO CLARIFY THE RULES ASSOCIATED WITH THE ENROLLMENT OF LINES OF CREDIT TO AVOID AMBIGUOUS SITUATIONS THAT HAVE ARISEN IN THE LAST SEVERAL YEARS AND TO CLARIFY THE CLAIM PROCEDURES GIVEN THE EXTRA COMPLEXITY OF LENDER WORK OUT SCENARIOS WITH LARGER LOANS.

LASTLY, THE REGULATORY OBJECTIVES FOR THE CALCAP PROGRAM FOR ARB INCLUDES THE NEED TO PLACES IN REGULATION THE PROGRAM RULES PREVIOUSLY CONTAINED IN INTERAGENCY AGREEMENTS WITH ARB, THE NEED TO ADOPT A RECAPTURE MECHANISM, TO SUSTAIN THE PROGRAM GIVEN INCREASING ALLOCATIONS FROM ARB IN THE FUTURE AND TO CLARIFY THE PROCEDURE RELATED TO THE SALE OR TRANSFER OF A LENDER'S INTEREST IN ITS CALCAP LOAN PORTFOLIO.

THE NEXT THREE SLIDES SIMPLY PROVIDE YOU A REMINDER OF THE DISCUSSIONS THAT CALCAP STAFF HAS HAD OVER THE PAST TWO YEARS INTRODUCING THE IDEA OF RECAPTURE. WE HAVE DELIBERATELY TAKEN THE DISCUSSION SLOWLY TO PROVIDE YOU AND YOUR COLLEAGUES THE OPPORTUNITY TO DISCUSS IT INTERNALLY AND WITH US AND TO GIVE YOU THE OPPORTUNITY TO PROVIDE US WITH DATA OR OTHER RIGOROUS ANALYSIS FOR US TO CONSIDER. THE DISCUSSION CULMINATED WITH THE CALCAP STAKEHOLDER SYMPOSIUM TO PROVIDE LENDERS AND OTHER SMALL BUSINESSES STAKEHOLDERS THE OPPORTUNITY TO SPEAK ON THE RECORD TO THE MERITS OF THE RECAPTURE AND HOW IT WOULD WORK. WHILE THOSE OF YOU WHO SPOKE AT THE SYMPOSIUM SEEMED IN SUPPORT OF SETTING A MINIMUM BALANCE OF 20% OF THE OUTSTANDING PRINCIPAL BALANCE IN THE LOSS RESERVE ACCOUNT CONSISTED WITH THE PROPOSAL INTRODUCED WITH THE BILL SPONSOR OF SENATE BILL 551. HOWEVER, THE PANEL MEMBERS AT THE SYMPOSIUM AND CPCFA BOARD MEMBERS AND STAFF ALL WISHED THAT MORE DATA HAD BEEN PRESENTED TO SHOW HOW A 20% THRESHOLD WAS BOTH NECESSARY TO PROVIDE LENDERS' PRUDENT UNDERWRITING POLICY THE ADEQUATE PROTECTION AGAINST LOSS, AS WELL AS WHETHER IT WOULD MEET THE EQUALLY IMPORTANT OBJECTIVES OF PROVIDING SUFFICIENT RECYCLED FUNDS TO SUSTAIN THE PROGRAM FOR FUTURE LOAN ENROLLMENTS.

PEELING BACK THE PUBLIC FACING PRESENTATION OF MANY OF YOU WHO ARE IN COALITIONS, WE ALSO WANT TO ACKNOWLEDGE THAT WE HEAR INDIVIDUALLY FROM MANY OF YOU, THAT THERE ARE IN FACT IMPORTANT BUSINESS DIFFERENCES IN YOUR PRIORITIES AND HAVE ASKED US TO NOT ASSUME THAT ALL LENDERS SHARE THE SAME OBJECTIVES OR POSITIONS. NAMELY, FOR SOME OF YOU IT IS VERY IMPORTANT THAT THE PROGRAM CONTINUE AND YOU RECOGNIZE THAT RECAPTURE IS THE ONLY WAY TO HAVE THAT HAPPEN. FOR OTHERS, IT IS

EQUALLY IMPORTANT THAT THE LOANS THAT YOU HAVE ENROLLED UP UNTIL NOW BE SUPPORTED BY THE LOAN LOSS RESERVE ACCOUNT ACCORDING TO THE ORIGINAL RULES OF THE PROGRAM. IN OTHER WORDS, THAT THE FUNDS ARE NOT RECAPTURED. SO IT IS WITH THESE DIFFERING VIEWS AND BASED ON INDEPENDENT RESEARCH, THAT STAFF HAS ARRIVED AT A PROPOSED RECAPTURE MECHANISM TO ADDRESS BOTH PRIORITIES.

THIS SLIDE IS THE GRAPHIC REPRESENTATION OF THE PROPOSAL DEVELOPED BY CPCFA STAFF AFTER TWO YEARS WORTH OF DISCUSSIONS WITH LENDERS, PUBLIC FINANCE EXPERTS, ECONOMIC FORECASTERS AND RESEARCH INTO RELEVANT STATE AND NATIONAL DATA SETS. CPCFA'S INDEPENDENT RESEARCH AND PROPOSAL TO BE INCLUDED IN THE PROPOSED REGULATIONS CENTERS ON THREE KEY DATA SETS. ONE IS NATIONAL DATA COMPILED BY THE SMALL BUSINESS ADMINISTRATION THAT SHOWS THAT AMONG THE VARIETY OF LENDERS NATIONWIDE ENGAGED IN SMALL BUSINESS LENDING, INCLUDING LARGE DEPOSITORY BANKS, COMMUNITY BANKS, CREDIT UNIONS AND CDFIS, MOST OF THE LENDER FUNDED ACCOUNTS RANGE FROM 1-8% OF THE PRINCIPLE BALANCE OF THE LOAN. SECOND, IN REVIEWING AGREEMENTS BETWEEN CALCAP LENDERS AND OTHER INSTITUTIONS ACQUIRING AN INTEREST IN A CALCAP PORTFOLIO, WE SEE AN AVERAGE OF 10% BEING CITED AS THE LIKELY LOAN LOSS RESERVE BALANCE TO SHORE UP THE ENROLLED LOAN. AND THREE, BASED ON DATA MAINTAINED AND CALCULATED BY CPCFA OVER THE LIFE OF OUR PROGRAM, INCLUDING THROUGH THE GREAT RECESSION, IT SHOWED THAT THE AGGREGATE LOAN LOSS RESERVE BALANCE ACROSS ALL LENDERS AS COMPARED TO THE OUTSTANDING PRINCIPLE BALANCE OF ENROLLED LOANS RANGES, OVER THE YEARS, FROM 10-15%.

THESE LAST DATA POINTS SUPPORT THE STAFF'S CONCLUSION THAT 10% SEEMS REASONABLE TO PROVIDE LOSS PROTECTION AGAINST PRUDENTLY UNDERWRITTEN LOANS, AND ALSO SETTING ANY HIGHER MAY NOT RESULT IN ANY RECAPTURED FUNDS, ESPECIALLY AFTER THE FIRST YEAR IN WHICH WE MAY RECEIVE A WINDFALL RESULTING FROM THE OLDEST ENROLLED LOANS. NOTABLY, TO THE EXTENT THAT SOME LENDERS ARE ARTICULATED ABOUT MAINTAINING THE LOSS RESERVE FUND BASED UPON RELIANCE ON THE ORIGINAL PROGRAM RULES, THAT RESONATES WITH US, AND THEREFORE WE ARE PROPOSING THAT THE RECAPTURE BE VOLUNTARY. IN OTHER WORDS, IF LENDER A WANTS TO RELY ON THE ORIGINAL PROGRAM RULES, IT MAY DO SO. HOWEVER, GIVEN THAT THE ORIGINAL PROGRAM NEVER PROMISED A

NEVERENDING SOURCE OF PROGRAM FUNDING, LENDER A WOULD NOT BE ABLE TO ENROLL FUTURE LOANS AFTER THE RECAPTURE MECHANISM BECOMES EFFECTIVE AND RECAPTURED FUNDS BEGIN SUPPLYING THE PROGRAM FUNDING. LENDER A'S PREVIOUSLY ENROLLED LOANS WOULD BE FULLY SUPPORTED BY THE LOAN LOSS RESERVE ACCOUNT.

FOR OTHER EXISTING AND ALL NEW LENDERS WANTING TO TAKE ADVANTAGE OF THE RECYCLED FUNDS, OR CONTINUED FUNDING AFTER THE DATE OF THE RULEMAKING, THEY WILL NEED TO OPT IN TO THE NEW CALCAP RULES, INCLUDING RECAPTURE, EVEN AS APPLIED TO PREVIOUSLY ENROLLED LOANS. IF LENDER B OPTS IN, RECAPTURE APPLIES TO ALL PREVIOUS AND FUTURE ENROLLED LOANS, AND LENDER B GETS THE BENEFIT DERIVED FROM THE SUSTAINED PROGRAM BASED ON RECYCLED FUNDS. PLEASE NOTE, HOWEVER, THAT ONCE LENDER B OPTS IN, IT WILL NOT BE ABLE TO CHOOSE AT A LATER DATE TO OPT OUT. THUS WE ARE RECOMMENDING WHAT WE ARE CALLING A VOLUNTARY STEP DOWN TO 10%.

THE FIRST YEAR RECAPTURE WOULD LEAVE NO LESS THAN 15% OF A LENDER'S OUTSTANDING PRINCIPLE BALANCE OF LOANS ENROLLED IN THE PREVIOUS FIVE YEARS. THE FOLLOWING YEAR THE THRESHOLD WOULD DROP TO 14%, AND SO ON, UNTIL 2022, WHEN THE THRESHOLD OF 10% IS HIT AND WOULD BE MAINTAINED GOING FORWARD. ASSUMING THAT THE BOARD ADOPTS THE EMERGENCY RULE MAKING PRESENTED AT NEXT WEEK'S BOARD MEETING, CPCFA WILL CONDUCT THE FIRST ANNUAL RECAPTURE AS FOLLOWS.

FIRST, STAFF WOULD CALCULATE THE AMOUNT SUBJECT TO RECAPTURE, EQUALING THE TOTAL AMOUNT OF PUBLIC CONTRIBUTIONS FOR ALL MATURED LOANS, OR THOSE LOANS ENROLLED MORE THAN 60 MONTHS AGO, MINUS THE CONTRIBUTIONS MADE FOR ANY DEFAULTED LOANS. SECOND, THE AMOUNT CALCULATED ABOVE WOULD BE CALIBRATED OR DECREASED IF NECESSARY TO ENSURE THAT EACH LENDER'S RESULTING BALANCE IN ITS LOSS RESERVE ACCOUNT DOES NOT FALL BELOW 15% OF ITS OUTSTANDING PRINCIPLE BALANCE OF LOANS ENROLLED IN THE PREVIOUS FIVE YEARS. AND LAST, THE RECAPTURED FUNDS WOULD BE DEPOSITED IN THE CALCAP PROGRAM FUND TO BE USED FOR FUTURE CALCAP PROGRAM EXPENDITURES. FUNDS RECYCLED FROM THE CALCAP FOR SMALL BUSINESS LOSS RESERVE ACCOUNTS WOULD BE DEDICATED TO FUTURE CALCAP FOR SMALL BUSINESS LOAN ENROLLMENTS AND EXPENDITURES. LIKEWISE, FUNDS RECYCLED FROM CALCAP ARB WOULD

BE DEDICATED TO FUTURE CALCAP ARB LOAN ENROLLMENTS AND PROGRAM EXPENDITURES. SO ASSUMING THE BOARD ADOPTS THE EMERGENCY REGULATIONS, CALCAP STAFF WILL POST OPT IN FORMS ON OUR WEBSITE FOR LENDERS TO AFFIRM WHETHER THEY WILL PARTICIPATE IN THE AMENDED CALCAP PROGRAM BEGINNING AUGUST 15TH. FOR THOSE LENDERS WHO OPT IN, WE WILL CONTINUE TO ACCEPT LOAN ENROLLMENTS SUBMITTED TO CALCAP ON OR AFTER AUGUST 15TH, AND WE WILL CARRY OUT WITH THE RECAPTURE CONSISTENT WITH THIS APPROACH THEREAFTER BASED ON JUNE 30TH DATA. CONVERSELY, FOR LENDERS WHO DO NOT OPT IN, WE WILL CONTINUE TO MONITOR YOUR EXISTING ENROLLED LOAN PORTFOLIO AND REVIEW CLAIMS FOR THOSE LOANS ENROLLED PRIOR TO AUGUST 15TH CONSISTENT WITH THE ORIGINAL PROGRAM FRAMEWORK. THEREAFTER RECAPTURE WOULD BE PERFORMED ANNUALLY FOLLOWING THE END OF FISCAL YEAR. GOING BACK TO THE GRAPHIC REPRESENTATION, IN 2018, THE MINIMUM THRESHOLD WOULD STEP DOWN IN 1% INCREMENTS EACH YEAR UNTIL 10% IS REACHED IN 2022.

SO THIS SLIDE JUST SUMMARIZES THE STRENGTHS AND UNKNOWNNS ASSOCIATED WITH THIS PROPOSED MECHANISM. THE PRO IS THE MINIMUM THRESHOLD IS SLIGHTLY HIGHER THAN NATIONAL LENDING DATA REGARDING LENDER FUNDED ANTICIPATED LOSS RESERVES. ALSO IT PROVIDES A SPECIFIC, PREDICTABLE NUMERIC THRESHOLD FOR LENDERS TO PLAN AGAINST. FURTHER, THE STEP DOWN INCREASES THE LIKELY AMOUNT AVAILABLE RECAPTURED FUNDS AFTER YEAR ONE, SO HOPEFULLY THE PROGRAMS WILL BE SUSTAINABLE. AND LASTLY, THE OPT IN PERMITS LENDERS TO RELY ON ORIGINAL PROGRAM RULES WITH THEIR CURRENT PORTFOLIO FULLY SUPPORTED BY LOSS RESERVE ACCOUNT.

IT IS UNKNOWN WHETHER THE RECAPTURE AMOUNTS WILL IN FACT WILL BE ABLE TO SUSTAIN EITHER PROGRAM ALL YEAR LONG.

THE NEXT TWO SLIDES PRESENT PROPOSED RULEMAKING SCHEDULES. BY CLOSE OF BUSINESS TODAY, THE NOTICE OF PROPOSED RULEMAKING WILL BE POSTED ON OUR WEBSITE AND TO THE LISTSERV, ALONG WITH THE TEXT OF THE DRAFT REGULATIONS. THE STAFF IS PREPARING A SINGLE PACKAGE WITH A SECTION TAILORED TO EACH OF THE THREE PROGRAMS AS WE HAVE DESCRIBED TO YOU TODAY. GIVEN THE LIKELY EXHAUSTION OF THE FUNDS IN THE SMALL BUSINESS AND TRUCK LOANS PROGRAMS WITHIN THE COMING MONTHS, WE ARE PROPOSING

THE PACKAGE BE ADOPTED AS EMERGENCY RULEMAKING. THE PACKAGE WILL BE PRESENTED TO THE CPCFA BOARD AT ITS MONTHLY MEETING ON JULY 18TH AND ANTICIPATE THE OFFICE OF ADMINISTRATIVE LAW WOULD FILE THE EMERGENCY REGULATIONS WITH THE SECRETARY OF STATE ON OR ABOUT AUGUST 1ST.

FOLLOWING THE EMERGENCY RULEMAKING, STAFF WOULD CONDUCT THEIR REGULAR RULEMAKING TO CONFORM TO THE EMERGENCY REGULATIONS INTO PERMANENT PROVISIONS WITHIN THE FOLLOWING 180 DAYS, OR BY OUR CALENDAR, BY DECEMBER 6TH. ASSUMING THAT CURRENT VERSION OF SENATE BILL 551 PASSES THE LEGISLATURE AND IS SIGNED IN TO LAW, IT WOULD TAKE IN EFFECT JANUARY 1, 2018 AND NO FURTHER CHANGES TO THE REGULATION WOULD BE NECESSARY. AGAIN, IF THE CURRENT VERSION OF SB 551 PASSES. IF THERE ARE AMENDMENTS, WE WOULD LIKELY NEED TO CONDUCT FURTHER RULE MAKING TO CONFORM THE EMERGENCY AND REGULAR REGULATIONS ACCORDINGLY. SO WITH THAT, I'M GOING TO HAND IT OVER TO BIANCA TO DESCRIBE THE NUTS AND BOLTS OF THE BUSINESS PROCESS THAT CALCAP WILL SET UP TO FACILITATE THE IMPLEMENTATION OF THE REGULATIONS.

>> **BIANCA SMITH:** THANK YOU, RENEE. AS RENEE JUST EXPLAINED, THE RECAPTURE AMOUNT WILL BE CALCULATED BASED ON JUNE 30TH DATA. THAT IS WHY WE NEED TO EMPHASIZE THE IMPORTANCE OF ACCURATE AND COMPLETE QUARTERLY REPORTS. THE RECAPTURE AMOUNT FOR THE FISCAL YEAR 16-17 WILL BE CALCULATED BASED ON THE QUARTERLY REPORT FOR THE 4TH QUARTER OF THE FISCAL YEAR AND THE LOAN LOSS RESERVE ACCOUNT BALANCE AS OF JUNE 30TH, 2017. THE QUARTERLY REPORTS FOR THE 4TH QUARTER AND THE ACCOUNTS STATEMENTS HAVE TO BE SUBMITTED TO CPCFA BY JULY 15TH. LENDERS, AS YOU HEARD, LENDERS DO HAVE THE OPTION TO PARTICIPATE OR NOT IN THE RECAPTURE PROCESS. AND THIS ELECTION CAN NOT LATER BE WITHDRAWN BY THE FINANCIAL INSTITUTION. EACH LENDER IS REQUIRED TO AFFIRM IN WRITING ITS ELECTION TO PARTICIPATE IN THE RECAPTURE AND CONTINUE TO ENROLL LOANS IN THE PROGRAM. RECAPTURE IS APPLICABLE TO CONTRIBUTIONS FOR ALL PAST AND FUTURE LOANS. AS SUCH, ON AUGUST 1ST, WE WILL POST A RECAPTURE PARTICIPATION FORM ON CALCAP'S WEB PAGE. THIS FORM HAS TO BE SIGNED BY AN AUTHORIZED SIGNER AND RETURNED TO CPCFA NO LATER THAN AUGUST 15TH BY EACH LENDER WHO DECIDES TO PARTICIPATE IN THE RECAPTURE. LENDERS WHO CHOOSE NOT TO

PARTICIPATE IN THE RECAPTURE WILL BE INELIGIBLE TO SUBMIT LOAN ENROLLMENTS ON OR AFTER AUGUST 15TH, BUT THE LOANS ENROLLED PRIOR TO AUGUST 15TH 2017 WILL BE SUPPORTED BY THE LOAN LOSS RESERVE ACCOUNT, AND THE PFI WILL BE ELIGIBLE FOR CLAIM REIMBURSEMENT UNTIL THE MATURITY OF SUCH LOANS. ON OR BEFORE SEPTEMBER 30TH, AFTER THAT, ON OR BEFORE SEPTEMBER 30TH, WE WILL SEND OUT INDIVIDUAL NOTICES REGARDING THE RECAPTURE AMOUNT AND WITHDRAW THE AMOUNT FROM EACH LOSS RESERVE ACCOUNT. THE FUNDS WILL BE DEPOSITED IN THE RESPECTIVE PROGRAM ACCOUNT TO SUPPORT FUTURE LOAN ENROLLMENTS.

ALSO ON AUGUST 1ST, WE WILL POST ON OUR WEBSITE CONSOLIDATED CALCAP APPLICATION AND CLAIM FORMS, AS WELL AS LENDER MANUALS, TO REFLECT THE CHANGES IN THE REGULATION. THESE REVISED FORMS ARE THE ONLY ONES THAT ARE BE USED FOR CALCAP ENROLLMENTS ON OR AFTER AUGUST 15TH. ENROLLMENTS THAT WERE SUBMITTED ON THE OLD APPLICATION FORMS AFTER AUGUST 15TH WILL BE RETURNED TO THE LENDER, AND THE LENDER WILL HAVE A 15-DAY GRACE PERIOD TO RETURN THE ENROLLMENT ON THE REVISED APPLICATION FORMS. OTHERWISE THE LOAN ENROLLMENT WILL BE REJECTED.

AS PRESENTED BEFORE, THE QUARTERLY REPORTS AND THE LOAN LOSS RESERVE STATEMENTS ARE ESSENTIALS FOR THE RECAPTURE CALCULATION. SO ACCURATE AND COMPLETE DATA IN THE QUARTERLY REPORTS ARE EXTREMELY IMPORTANT. AS YOU KNOW, FOR YOUR CONVENIENCE WE HAVE PROVIDED ON OUR WEBSITE AN EXCEL TEMPLATE THAT CONTAINS ALL THE REQUIRED DATA. THE QUARTERLY REPORT HAS TO CLEARLY IDENTIFY THE CALCAP LOAN NUMBER, LENDER LOAN NUMBER, BORROWER'S NAME, AND OR DBA, DATE OF THE FIRST DISBURSEMENT, MATURITY DATE, TOTAL LOAN AMOUNT, TOTAL ENROLLED AMOUNT OUTSTANDING, AND THE DATE THE LOAN WAS PAID OFF. IF A LOAN PREVIOUSLY ENROLLED IN CALCAP BY A PARTICIPATING FINANCIAL INSTITUTION WAS ASSIGNED, TRANSFERRED, OR PLEDGED TO ANOTHER ENTITY PURSUANT TO PRIOR AUTHORIZATION BY CPCFA, THE LENDER WHICH ORIGINALLY HELD THE DEBT MUST RECORD THIS DATA -- RECORD THE DATE THE LOAN WAS SOLD, THE NAME OF THE ENTITY TO WHICH THE LOAN WAS ASSIGNED, TRANSFERRED OR PLEDGED, AND THE PERCENTAGE OF THE LOAN WHICH WAS ASSIGNED, TRANSFERRED OR PLEDGED, ON THE QUARTERLY REPORT. FOR LOANS THAT RECEIVED A CLAIM APPROVAL, THE REPORT HAS TO ALSO CONTAIN THE DATE OF THE CHARGE OFF, THE CLAIM AMOUNT PAID,

RECOVERY DATES, IF ANY, RECOVERY AMOUNTS, IF ANY, AND ANY COMMENTS RECORDING COLLECTION EFFORTS. FOR RECAPTURE PURPOSES, THE DATA SUBMITTED IN THE QUARTERLY REPORT WILL BE RECONCILED AGAINST OUR DATA, AND WE WILL CALCULATE THE RECAPTURE AMOUNT BASED ON THE THRESHOLD PERCENTAGE FOR THAT SPECIFIC YEAR.

NO COMPLIANCE WITH THE QUARTERLY REPORTING REQUIREMENT WILL TRIGGER A SUSPENSION FROM THE PROGRAM, FOLLOWED BY TERMINATION. SO PLEASE, MAKE SURE TO SUBMIT YOUR QUARTERLY REPORTS BY THE 15TH OF THE MONTH FOLLOWING THE END OF THE QUARTER. AND NOW I WILL LET DOREEN GIVE YOU ADDITIONAL INFORMATION.

>> **DOREEN SMITH:** THANKS, BIANCA. ADDITIONALLY, WE WILL BE CLARIFYING IN THE REGULATIONS THAT LENDERS MUST PROVIDE WRITTEN NOTIFICATION OF ANY CHANGE IN MATERIAL TERMS OF A LOAN, AND THIS IS INCLUDING CHANGES TO THE NAME OF BORROWER OR COBORROWER, THE TOTAL LOAN AMOUNT, THE MATURITY DATE, OR THE INTEREST RATE -- WITHIN 15 DAYS OF THE EFFECTIVE DATE OF THE CHANGE. CALCAP HAS A CHANGE OF TERMS FORM POSTED ON THE WEBSITE YOU CAN UTILIZE TO NOTIFY CALCAP OF SUCH CHANGES.

AS WE HAVE DISCUSSED PREVIOUSLY, WE HAVE BEEN WORKING ON AN I.T. PROJECT TO MOVE TOWARDS A WEB-BASED APPLICATION SUBMISSION PROCESS. AND WE WOULD LIKE TO TAKE THIS TIME TO THANK OUR LENDERS WHO HAVE PARTICIPATED IN THE BETA TESTING. WE ARE FINALIZING ISSUES WITH THE I.T. DEPARTMENT AND EXPECT EARLY AUGUST. INITIALLY UTILIZING THE WEB ONLINE APPLICATION WILL BE VOLUNTARY. YOU MAY CONTINUE TO SUBMIT APPLICATIONS THROUGH THE CALCAP INBOX AS YOU CURRENTLY DO DURING THIS INITIAL IMPLEMENTATION PHASE. THE GOAL IS HAVE ALL LOAN APPLICATIONS SUBMITTED VIA THE ONLINE PROCESS WITHIN 12 MONTHS. CALCAP STAFF WILL PROVIDE WEBINAR TRAINING WHEN THE SYSTEM GOES LIVE AND ON AN ONGOING BASIS. A TIMELINE OF THE ONLINE APPLICATION SUBMISSION PHASE ONE IS HERE.

SO AS I JUST STATED, WE ARE CURRENTLY FINALIZING THE BETA TESTING. WE HOPE TO GET THIS UP AND RUNNING IN EARLY AUGUST, AND THAT'S WHEN WE WILL BE PROVIDING TRAINING AND INSTRUCTIONS ON HOW TO REGISTER AND ACTIVATE YOUR ACCOUNT. AND IT

WILL BE ON GOING TRAINING, AND WE ANTICIPATE ENHANCING THE SYSTEM AS IT GOES LIVE, AND WE WILL BE HERE FOR CONTINUED TRAINING AND QUESTIONS.

>> **RENEÉ WEBSTER-HAWKINS:** SO WITH THAT, WE HAVE GIVEN YOU A LOT OF INFORMATION TODAY. WE ARE GOING TO REVIEW THE QUESTIONS THAT HAVE COME IN, AND SO PLEASE BE PATIENT WITH US WHILE WE REVIEW THEM, AND WE WILL BE BACK WITH YOU IN JUST A MOMENT.

>> **RENEÉ WEBSTER-HAWKINS:** WE ARE GOING TO GO THROUGH THESE QUESTIONS, AND WE HAVEN'T OBVIOUSLY HAD A CHANCE TO SORT OF ORGANIZE THEM BY SUBJECT. IF WE THINK THEY ARE DUPLICATIVE, WE MAY SKIP A SPECIFIC QUESTION. IF YOU HAD AN ISSUE THAT WASN'T COVERED BY THESE ANSWERS, PLEASE CONTACT US AND WE WILL TRY TO ADDRESS YOUR SPECIFIC CONCERN.

IN NO PARTICULAR ORDER, THE FIRST QUESTION REGARDS THE CALCAP FOR ARB PROGRAM. THE QUESTION IS, WHY ONLY COMPRESSED NATURAL GAS, WHY NOT LIQUID NATURAL GAS? GOOD QUESTION. A SPECIFIC QUESTION POSED TO US BY A LENDER WHETHER OR NOT CNG WAS INCLUDED AND THE RESPONSE WAS GOT FROM ARB WAS YES, AS LONG AS AN ALTERNATIVE FUEL MEETS THE EMISSION REQUIREMENTS. WE WILL CLARIFY WITH ARB WHETHER LNG FUELED VEHICLES THAT MEET THE EMISSIONS STANDARDS ARE IN FACT INCLUDED. WE BELIEVE IT IS AS WE SIT HERE, BUT WE WILL DULY CONFORM AND MAKE SURE IT'S VERY CLEAR THAT IT'S ANY ALTERNATIVE FUEL AS LONG AS IT MEETS ARB'S EMISSION REQUIREMENTS.

THERE'S A QUESTION ABOUT THE FIVE-YEAR INCREMENT ASSOCIATED WITH -- WE BELIEVE IT'S WITH RECAPTURE. THE QUESTION IS NOT COMPLETELY WORDED FULLY, BUT WE THINK THE QUESTION IS ABOUT WHY RECAPTURE IS APPLICABLE TO THOSE LOANS ENROLLED MORE THAN FIVE YEARS AGO. BASED ON OUR CALCAP DATA, WHICH IS CONSISTENT WITH NATIONAL LENDING DATA, THE LARGE NUMBER OF DEFAULT, 96% OF THEM, OCCUR WITHIN THE FIRST 60 MONTHS OF A LOAN. SO IT'S BASED ON THAT DATA THAT WE BELIEVE IT'S REASONABLE FOR PURPOSES OF CALCULATING RECAPTURE, FOR LOOKING AT THOSE LOANS THAT WERE ENROLLED 61 MONTHS OR MORE PREVIOUS TO THE RECAPTURE DATE.

PLEASE BARE WITH US WHILE WE ARE REVIEWING THE QUESTIONS.

THERE'S A QUESTION, AGAIN, I BELIEVE REFERS TO THE CALCAP FOR ARB PROGRAM. THIS MIGHT BE LENDER SPECIFIC, BUT THIS PERSON ASKS, SINCE MOST OF OUR LOANS WERE ENROLLED AFTER 2015, AND THE LOAN LOSS RESERVE CONTRIBUTION WAS SIGNIFICANTLY REDUCED, WE ARE NOT PRESENTLY AT 10%. DOES THIS IMPLY THAT WE WOULD NOT BE IMPACTED BY RECAPTURE, SINCE IN THEORY WE WILL NEVER BE AT 10%? I THINK THAT IS VERY LENDER SPECIFIC. BUT THE INITIAL CONTRIBUTIONS WERE AT LEAST 14% OR MORE, DEPENDING ON WHEN A LENDER ENROLLED IN OUR PROGRAM. IT ALSO IS DEPENDENT ON A LENDER'S DEFAULT AND CLAIM ACTIVITY. SO THAT IS A VERY LENDER-SPECIFIC CALCULATION AND QUESTION.

SO THERE ARE SOME QUESTIONS THAT ARE NOT ENTIRELY CLEAR. WE ARE GOING TO CONTACT THOSE INDIVIDUALS WHERE IT'S A LITTLE BIT CONFUSING.

THERE'S A QUESTION TO RE-EXPLAIN THE RECAPTURE. WE BELIEVE THAT OUR EXPLANATION IN THIS PRESENTATION HAS BEEN VERY CLEAR. IF YOU WOULD LIKE TO SIT DOWN WITH US AND WALK YOU THROUGH YOUR PARTICULAR LOAN PORTFOLIO, PLEASE CONTACT CALCAP AND WE WILL DO THAT WITH YOU.

THERE'S A QUESTION THAT ASKS A HYPOTHETICAL. IF A LENDER PARTICIPATES IN THE RECAPTURE, BUT ITS CURRENT RESERVE ACCOUNT IS LESS THAN THE THRESHOLD FLOOR DUE TO CLAIMS, IS THERE A STILL A RECAPTURE? THE ANSWER WOULD BE NO.

THERE'S A QUESTION ABOUT THE LOAN LOSS RESERVE REPORT. IS IT A MANDATORY MONTHLY REPORT OR QUARTERLY REPORT? WE HAVE A MANDATORY QUARTERLY REPORT THAT HAS BEEN REQUIRED FOR QUITE SOME TIME. I'M NOT EVEN SURE WHEN IT WAS INSTITUTED.

>> **BIANCA SMITH:** SO THE QUARTERLY REPORT IS ACQUIRED QUARTERLY. THEN WE HAVE LENDERS WHO HAVE THEIR OWN LOAN LOSS ACCOUNT, THEIR ACCOUNTS, AND THOSE STATEMENTS ARE REQUIRED MONTHLY.

>> **RENEÉ WEBSTER-HAWKINS:** THANK YOU, BIANCA. THAT'S RIGHT. AND SO TO CLARIFY, THAT IS THE QUARTERLY REPORTS THAT ALL LENDERS MUST COMPLETE AND SUBMIT WITHIN 15 DAYS AFTER THE END OF EVERY QUARTER. FOR THOSE LENDERS THAT HAVE LENDER-HELD LOSS RESERVE ACCOUNTS, YOU HAVE ADDITIONAL RESPONSIBILITY TO SUBMIT TO US YOUR MONTH-END ACCOUNT STATEMENT TO US BY THE 15TH OF THE FOLLOWING MONTH.

THERE'S A QUESTION ABOUT WHETHER OR NOT THIS WEBINAR IS RECORDED AND WILL BE ABLE TO BE PLAYED BACK FOR YOURSELF OR STAFF AT A LATER TIME. YES, IT WILL BE POSTED ON OUR WEBSITE.

THERE'S A QUESTION REFERENCING DUAL SUBMISSIONS. I THINK THIS IS REGARDING TO THE ONLINE WEBINAR APPLICATION. THE QUESTION ASKS, WILL THERE NEED TO BE DUAL SUBMISSIONS FOR THE 12 MONTHS FOLLOWING IMPLEMENTATION, MEANING IN ADDITION TO ONLINE, WILL WE ALSO HAVE TO SUBMIT VIA E-MAIL?

>> **BIANCA SMITH:** NO, IT WILL BE EITHER ONLINE OR THROUGH THE CALCAP INBOX. BUT WE GAVE THIS DUAL SUBMISSION OPTION TO FACILITATE EVERYBODY'S LENDERS NEEDS.

>> **RENEÉ WEBSTER-HAWKINS:** THANK YOU. AGAIN, A QUESTION ABOUT WHETHER OR NOT THE SLIDES WILL BE AVAILABLE. YES, THIS POWERPOINT PRESENTATION, AS WELL AS THE RECORDING, WILL BE AVAILABLE ON OUR WEBSITE.

THERE'S A QUESTION ABOUT WHETHER THERE'S A CONSIDERATION TO MATCH AT A HIGHER RATE OF MICROLOAN AMOUNT OF \$50,000 OR LESS, WHICH ARE CONSIDERED TO BE HIGHER RISK. THAT IS A QUESTION THAT HAS BEEN PRESENTED TO US FOR THE FIRST TIME RIGHT HERE TODAY. THAT'S NOT BEEN SOMETHING THAT WAS BROUGHT UP DURING THE CALCAP STAKEHOLDERS SYMPOSIUM. KEEP THESE IDEAS COMING. HOWEVER, THAT WILL NOT BE INCLUDED IN THE CURRENT REGULATORY PACKAGE GOING TO THE BOARD.

A QUESTION ABOUT HOW SHOULD WE INFORM YOU OF A LOAN MATERIAL INFORMATION CHANGE? WE HAVE HAD ON OUR WEBSITE A CHANGE IN TERMS FORM. IT'S VERY SIMPLE, AND

OUR INTENT TODAY WAS TO REMIND YOU OF THE EXISTENCE OF THAT FORM AND THE SITUATIONS IN WHICH YOU NEED TO FILL IT OUT AND SEND IT TO US. IT'S ON OUR WEBSITE AND PROVIDES YOU THE ABILITY TO NOTIFY US OF THE CHANGE OF THE MATERIAL TERMS OF ANY LOAN.

A QUESTION INCLUDES, WILL BE THE RECAPTURE INCLUDE THE FEES PAID BY LENDERS, INCLUDING THE FEES PAID BY THE LENDER ON THE BORROWER'S BEHALF? NO. THE RECAPTURE IS LIMITED ONLY TO THE PUBLIC CONTRIBUTION. IN OTHER WORDS, THE FUNDS DEPOSITED BY CPCFA FOR EACH LOAN LOSS RESERVE PROGRAM.

THERE'S A QUESTION THAT SAYS, CAN A LENDER KEEP 10% IN THEIR LOSS RESERVE ACCOUNT AT ALL TIMES AFTER 2022? THE CURRENT REGULATORY PACKAGE WILL SET THE MINIMUM THRESHOLD AT 10%. OBVIOUSLY IF A LENDER'S CLAIMS EXCEEDS THAT AMOUNT AND DROPS THEIR THRESHOLD BELOW THAT, IT WOULD PROBABLY DROP BELOW.

THERE'S A QUESTION, AGAIN, ABOUT THE 60 MONTH RECAPTURE COMPARED TO THE 10 YEARS COVERAGE IN THE PROGRAM. IS IT SAFE TO ASSUME THE 10 YEARS OF COVERAGE NO LONGER APPLIES? NO, THE LOAN IS STILL ENROLLED IN THE LOSS RESERVE. IT'S JUST THAT THE LOSS RESERVE RECAPTURE IS CALCULATED BASED ON THOSE LOANS THAT ARE 60 MONTHS OR OLDER.

THERE'S A VERY SPECIFIC QUESTION ABOUT A TRANSFER OF A LARGE PORTFOLIO. WE ARE GOING TO TAKE THAT QUESTION OFF LINE.

ANOTHER QUESTION ABOUT POSTING THE WEBSITE ADDRESSES. ONCE AGAIN, AGAIN, THESE SLIDES WILL BE POSTED AT THE END OF THE DAY. AND SO ALL OF THE URLS WE HAVE INCLUDES IN THESE SLIDES WILL BE AVAILABLE FOR YOU.

A POINT OF CLARIFICATION: CAN YOU GIVE ME MORE DETAIL REGARDING THE IMPACT OF RECAPTURE ON THE LOANS PREVIOUSLY ENROLLED IN THE PROGRAM? WILL THE GUARANTEE BE PAID OUT IN THE EVENT OF DEFAULT CHANGE? YES, AS LONG AS THE LOAN IS STILL -- HAS

NOT YET MATURED, AND IT'S STILL ENROLLED IN THE PROGRAM, YOU CAN STILL RECEIVE CLAIMS JUST AS YOU DO NORMALLY.

THERE'S A QUESTION THAT SAYS, IT SOUNDS LIKE IN AUGUST WE WILL KNOW MORE IF THE PROGRAM WILL BE ALIVE NEXT YEAR. WE DO NOT KNOW HOW MUCH WE ARE GOING TO BE ABLE TO RECEIVE THROUGH THE RECAPTURE MECHANISM. IT WILL BE BASED ON THE SPECIFIC CALCULATIONS OF THOSE LENDERS WHO OPT INTO THE PROGRAM. IT IS OUR VERY STRONG HOPE THAT WE WILL BE ABLE TO CONTINUE THE PROGRAM UNINTERRUPTED AND CONTINUALLY FOR 12 MONTHS A YEAR. HOWEVER, THAT WILL BE VERY DEPENDENT ON THE EXACT DOLLAR AMOUNT THAT WE CAN RECAPTURE EACH YEAR, TOGETHER WITH THE AMOUNT OF LOAN ENROLLMENT ACTIVITY. WE WOULD LIKE TO BE ABLE TO FORECAST IT WITH MORE SPECIFICITY, BUT WE JUST DO NOT KNOW AND WE WILL NOT KNOW FROM YEAR TO YEAR.

THERE'S A QUESTION ABOUT, IS THERE A DATE WHEN THE CHANGE IN TERMS FORM WILL BE REQUIRED? THE CHANGE IN TERMS FORM HAS BEEN REQUIRED, AND TODAY'S REMINDER IS THAT IT'S REQUIRED WITHIN 15 DAYS AFTER THE EFFECTIVE DATE OF THE DATE THAT YOU MAKE THE CHANGE IN A LOAN.

AGAIN, THERE IS ANOTHER QUESTION ABOUT, AT THE CURRENT LEVEL OF ENROLLMENTS, WHAT IS THE EXPECTATION HOW LONG THE FUNDS WILL LAST? AS WE JUST EXPLAINED, IT'S UNKNOWABLE DUE TO THE VARIABLES THAT ARE OUT OF OUR CONTROL.

THERE'S A QUESTION ABOUT WHETHER OR NOT WE CAN PROVIDE A REPORT ON THE NUMBER AND DOLLAR AMOUNT OF LOANS IN THE AMOUNT OF \$50,000 OR LESS VERSUS MORE THAN \$50,000. WE REPORT ON THAT IN OUR ANNUAL CALCAP REPORT TO THE LEGISLATURE. SO PLEASE LOOK TO THAT REPORT THAT WE POSTED ON OUR WEBSITE. WE ALSO INCLUDED DATA ON THAT IN OUR CALCAP STAKEHOLDERS SYMPOSIUM'S SLIDE DECK, SO YOU CAN FIND THE DATA THERE.

THERE'S A QUESTION THAT ASKED CAN WE ENROLL NEW LOANS INTO THE CALCAP PROGRAM? AND WHAT HAPPENS TO THE LOANS ALREADY ENROLLED IF THE PROGRAM IS TERMINATED?

SO TO BE CLEAR, ENROLLING NEW LOANS ON OR AFTER AUGUST 15TH IS AVAILABLE TO THOSE LENDERS WHO OPT IN TO THE RECYCLE AND RECAPTURE MECHANISM. AND THEY WILL BE ABLE TO ENROLL NEW LOANS AS LONG AS WE HAVE FUNDS THAT WE HAVE GENERATED FROM THE RECAPTURE. IF AT ANY POINT WE RUN OUT OF FUNDS, ALL LOANS THAT HAVE ALREADY BEEN ENROLLED WILL CONTINUE TO BE FULLY SUPPORTED BY THE EXISTING LOAN LOSS RESERVE ACCOUNT, ACCORDING TO THE PROGRAM RULES, UNTIL THE MATURITY OF THOSE LOANS OR AS LONG AS THERE ARE FUNDS IN THE INDIVIDUAL LENDER'S LOSS RESERVE ACCOUNT.

VERY GOOD QUESTIONS. WE ARE DONE WITH OUR QUESTIONS. HERE, AGAIN, WE BELIEVE WE HIT ALL OF THE SUBSTANTIVE QUESTIONS. IF YOU FEEL LIKE THERE WAS A QUESTION THAT YOU ASKED THAT WE DIDN'T ADDRESS, PLEASE CONTACT US. THERE'S A COUPLE THAT ARE VERY SPECIFIC TO LENDERS, AND WE WILL MAKE SURE THAT WE CONTACT YOU VERY SOON AFTER THIS PRESENTATION.

SO THANK YOU VERY MUCH, AND WE LOOK FORWARD TO FIELDING ANY FURTHER QUESTIONS THAT YOU HAVE TO CALCAP STAFF TO SUCCESSFULLY CONTINUE TO IMPLEMENT THE PROGRAMS. WE WILL BE SENDING OUT VIA THE LENDERS E-MAIL LIST, NOTIFICATIONS ABOUT WHEN THE RECAPTURE OPT-IN FORMS ARE AVAILABLE, WHEN THE NEW LENDER MANUALS ARE AVAILABLE, WHEN THE NEW LOAN ENROLLMENTS AND LENDER AND BORROWER CERTIFICATIONS ARE AVAILABLE. AS WE INDICATED ON THE SLIDE DECK, AUGUST, WE WILL BE NO LATER THAN THAT. BUT WE ARE ON A TRAJECTORY TO BE SOONER THAN THAT. SO WE WILL LET YOU KNOW AS SOON AS THEY'RE AVAILABLE. WITH THAT, WE THANK YOU VERY MUCH FOR YOUR ATTENDANCE.