

## VIII. LENDER TOOLS & TIPS

This section contains tools and tips to further assist lenders in enrolling loans. For the most recent versions, refer to the CalCAP website:

☞ CalCAP Homepage: <http://www.treasurer.ca.gov/cpcfca/calcap/sb/index.asp>

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

Most common small business types are eligible for participation in the CalCAP program with CalCAP matching up to 100 percent of the combined lender and borrower fees. 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	State Funds Lender <i>Only</i> Fees Match
Airplane or Aircraft	eligible
Charitable, non-profit or eleemosynary institutions	eligible
Consumer and Marketing Cooperatives	eligible
Golf Course or Country Club	eligible*
Government-owned Corporations	eligible
Health Club Facilities	eligible
Racquet Sports Facilities (including handball and racquetball)	eligible
Skating Facilities (including roller skating, skateboarding, and ice skating)	eligible
Spas that provide Massage Services	eligible
Suntan Facilities	eligible
Tennis clubs	eligible
Business that earns more than half of its annual net revenue from lending activities (unless a non-bank)	eligible
Pyramid Sales Plans	eligible**
Liquor Store	not eligible

Type of Business	State Funds Lender <u>Only</u> Fees Match
Adult Entertainment (including strip clubs, adult bookstores, and business whose principal business is the sale of pornography)	not eligible
Bars	not eligible
Business engaged in speculative activities that develop profits from fluctuations in price rather than through the normal course of trade	not eligible
Escort Service	not eligible
Facility Primarily Used for Gambling or to Facilitate Gambling	not eligible
Firms engaged in activities that are prohibited by federal law or applicable law in the jurisdiction where the business is located or conducted	not eligible
Gun Club, Shooting Range or Gallery	not eligible
Hot Tub Facility	not eligible
Massage Parlor	not eligible
Nudist Camp	not eligible
Racetrack	not eligible
Store or facility whose principal business is the manufacture or sale of tobacco or tobacco products	not eligible
Store or facility whose principal business is the sale of firearms	not eligible

*Note: \*If a legitimate small business*

*\*\*If lawful multi-level sales organization*

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

While a majority of business types are eligible for enrollment in CalCAP, certain restrictions apply to the use of loan proceeds and fees match contributions if the loan is enrolled in CalCAP as shown in the following table.

Loan Purpose	State Lender <i>Only</i> Fees Match
Refinance other financial institution debt provided original loan was for an eligible purpose	eligible
Refinance CalCAP or other loan ( <b>enrolling advance only</b> )	eligible
Fund any unguaranteed portion of an SBA loan	eligible
Purchase any portion of the ownership interest of any owner of the business or acquisition of business that includes blue sky or goodwill	eligible
Reimburse funds owned to any owner, including any equity injection or injection of capital for the business' continuance	eligible
Repay delinquent federal or state income taxes unless the borrower has a payment plan in place with the relevant tax authority	eligible
Repay taxes held in trust or escrow	eligible
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)	not eligible
Passive real estate	not eligible
Construction or purchase of residential housing	not eligible
Refinance own financial institution debt (unless certain conditions apply)	not eligible
Financing a non-business purpose	not eligible

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



FTEs must not exceed 500 for CalCAP loans