BOX 1: Commercial Real Estate Investment Guidance – 12 U.S.C. § 5704(e)(7)(A)(i)(I)

1. Does the transaction include the purchase or refinance of commercial real estate? ☐ Yes ☐ No (if No, then skip to BOX 2.)
2. Is the purchase or refinance of the purchase for an existing building or new construction? ______________________
3. What percentage of the building will be occupied by the business? __________

A small business borrower assures that the loan is not being used for passive real estate if the small business borrower occupies and uses at least a specific percentage of the building; the percentage varies depending on whether the project involves the construction of a new building or renovation of an existing building:

- **Construction of a new building.** If SSBCI-supported loan proceeds are used in the construction of a new building, the small business must occupy and use at least 60 percent of the total rentable property following issuance of an occupancy permit or other similar authorization.
- **Renovation of an existing building.** If SSBCI-supported loan proceeds are used in the acquisition, renovation, or reconstruction of an existing building, the borrower may permanently lease up to 49 percent of the rentable property to one or more tenants, if the small business occupies and uses at least 51 percent of the total rentable property within 12 months following the acquisition, renovation, or reconstruction.

SSBCI-supported loan proceeds may not be used to improve or renovate any portion of rentable property that the small business borrower leases to a third party. "Rentable property" means the total square footage of all buildings or facilities used for business operations, which (1) excludes vertical penetrations (e.g., stairways, elevators, and mechanical areas that are designed to transfer people or services vertically between floors) and all outside areas and (2) includes common areas (e.g., lobbies, passageways, vestibules, and bathrooms).

CalCAP requires lenders to retain documentation in the loan file that shows the above requirements have been met.

BOX 2: Refinancing and New Extensions of Credit – 12 U.S.C. § 5704(e)(7)(A)(ii)

**New extensions of credit on existing loans are not considered refinances.*

1. Is the refinance of debt held at another institution? ☐ Yes ☐ No (If No, then skip to question 2.)
   If Yes, name the institution:____________________________

The lender assures to the following:

a. The transaction is beneficial to the small business borrower; and
b. Proceeds of the transaction are not used to finance an extraordinary dividend or other distribution.

2. Is the refinance of debt held at your institution? ☐ Yes ☐ No (If No, then this document is complete.)
   If Yes, was the original debt enrolled in CalCAP/Collateral Support or CalCAP Small Business? ☐ Yes ☐ No
   If Yes, provide the CalCAP Loan #_______________________

The financial institution lender may use SSBCI funds to support a new extension of credit that repays the amount due on a matured[1] loan or other debt that was previously used for an eligible business purpose when all the following conditions are met:

a. The amount of the new loan or other debt is at least 150 percent of the outstanding amount of the matured loan or other debt[2];
b. The new credit supported with SSBCI funding is based on a new underwriting of the small business's ability to repay the loan and a new approval by the lender;
c. The prior loan or other debt has been paid as agreed and the borrower was not in default of any financial covenants under the loan or debt for at least the previous 36 months (or since origination, if shorter); and
d. Proceeds of the transaction are not used to finance an extraordinary dividend or other distribution.

CalCAP requires lenders to retain documentation in the loan file that shows the above requirements have been met.

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[1] A matured loan or line of credit only includes such that have matured according to their terms and does not include a loan or line of credit that has been accelerated to maturity. Transferring an accelerated loan into an SSBCI program does not promote the purpose of expanding small business access to capital and would primarily benefit lenders rather than small businesses.

[2] Requiring a 50 percent increase in the obligation requires lenders to increase their capital at risk by an amount that will generally exceed the value of the SSBCI subsidy, given the 1:1 and 10:1 financing requirements. This promotes the goal that the benefits of SSBCI funding primarily accrue to small businesses rather than to lenders.