



California Pollution Control Financing Authority

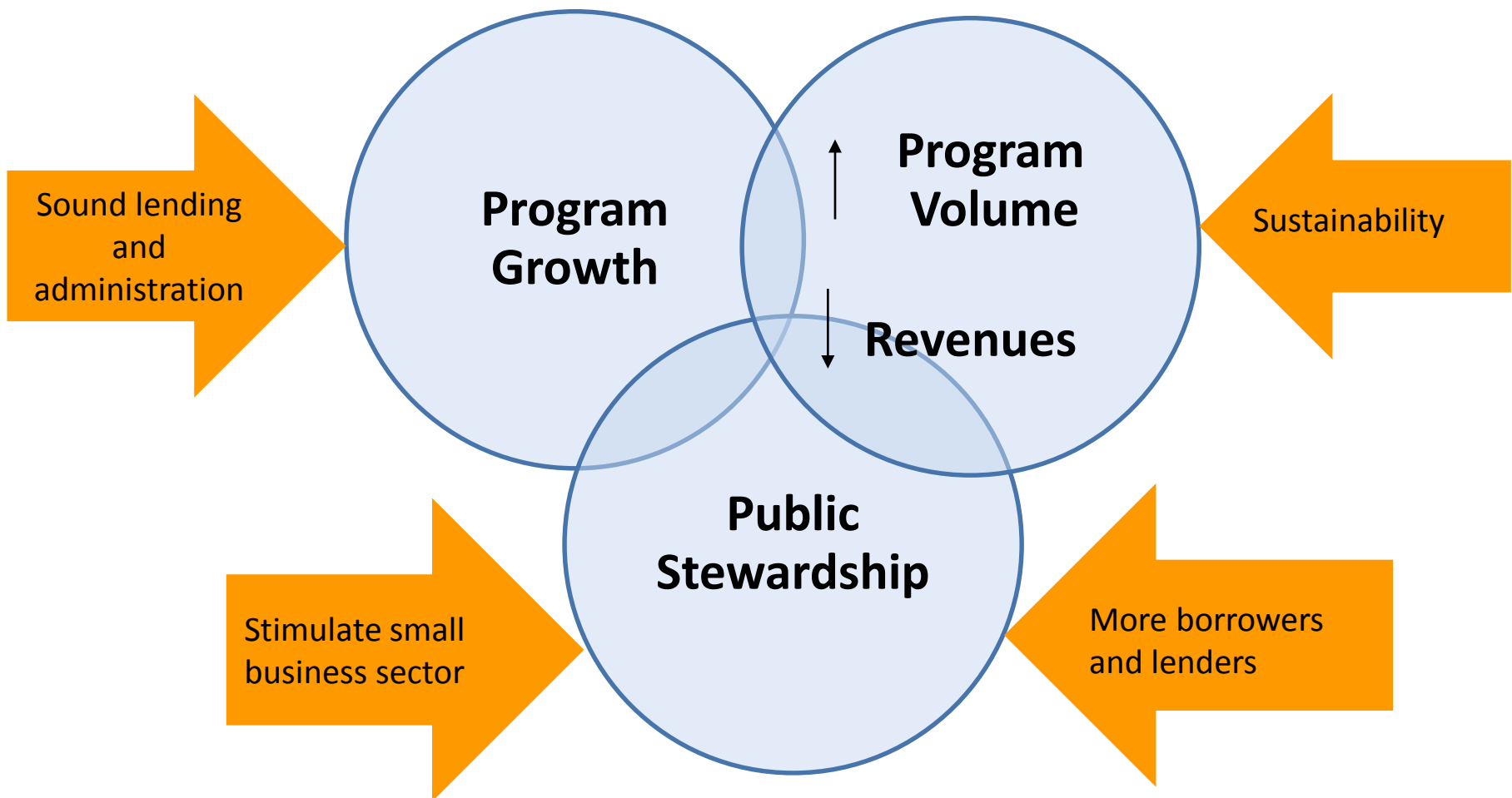
California Capital Access Loan Programs: Proposed Regulatory Updates to the Small Business and Heavy Duty Vehicle Loan Programs

*Informational Briefing to the Board
June 20, 2017*

Reneé Webster-Hawkins
Executive Director



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	\$15,966,324	\$930,145 ⁵	July 2017
CalCAP/SB State ⁴	\$6,000,000	\$300,000	\$5,700,000	\$3,912,121	\$1,885,925	September 2017
Collateral Support Program	\$65,021,716	\$626,589	\$64,395,127	\$57,132,396	\$5,340,569	December 2017
CalCAP/ARB	\$104,300,000	\$7,301,000	\$96,999,000	\$86,388,721	\$6,822,240	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.



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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.



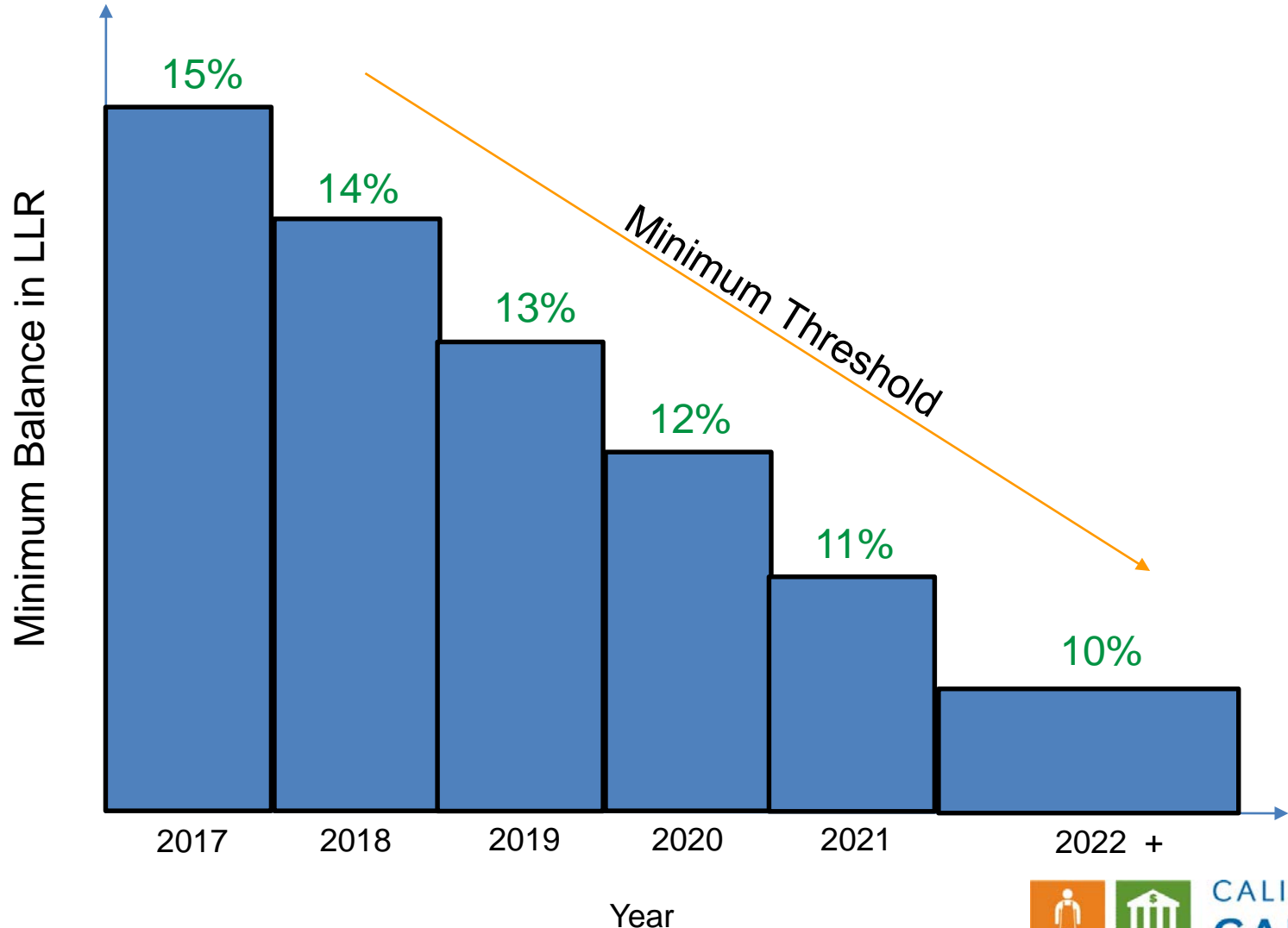
Objectives for Regulatory Action: CalCAP/ARB

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.



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.

Note!

Voluntary Opt-In: Recapture is only applicable to lenders that enroll loans after the effective date of regulations.



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Voluntary Step Down to 10%: Pros and Cons

Pros	Cons
Slightly higher than national lending data which reports small business lending portfolios supported by lender-funded anticipated loss reserves of 1-8%.	Unknown whether recapture amounts will sustain either program all year long.
Sponsor of SB 551 supports.	
A specific predictable numeric threshold.	If mechanism is codified in statute, CPCFA loses ability to modify if the recapture does not produce sufficient revenue to sustain program all year.
Step down increases the likely amount of available recaptured funds after year 1.	
Opt-in permits lenders to rely on original program rules, with their current portfolio fully supported by the LLR.	



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 27, 2017	Public comment period ends
August 3, 2017	OAL review period ends. If approved, the emergency regulations are filed with the Secretary of State and are in effect.
January 3, 2017	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.



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Questions?

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