

Manual for CalCAP Collateral Support Program



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1. Introduction

The Capital Programs & Climate Financing Authority (CPCFA) is under the State Treasurer's Office and administers the California Capital Access Program (CalCAP) which provide participating financial institutions (PFIs) up to 100% coverage on certain loan defaults. By participating in one or more CalCAP programs, financial institutions have available to them a proven credit enhancement mechanism to meet the financing needs of California's small businesses. Credit enhancement builds relationships between small businesses and financial institutions; financial institutions invest in California's small businesses; small businesses grow the California economy.

This manual for the CalCAP Collateral Support Program (CalCAP CS), provides instructions, examples, and regulations for enrolling loans and filing claims. Participating financial institutions (PFIs) are encouraged to use this manual as a guide. For the most current version of the manual, forms, and rules and regulations, PFIs may visit the CalCAP CS website at <https://www.treasurer.ca.gov/cpcfaca/calcap/collateral/tools.asp>.

CalCAP Contact Information:

When a financial institution joins as a participating financial institution (PFI), they are assigned an analyst to whom they can direct questions. However, PFIs can also use the contact information below.

Email: CalCAP@treasurer.ca.gov

Main Phone Number: (916) 654-5610

Mailing Address: P.O. Box 942809, Sacramento, CA 94209

Link to CalCAP CS Main Webpage:

<https://www.treasurer.ca.gov/cpcfaca/calcap/index.asp>

Link to CPCFA Contact Information Webpage:

<https://www.treasurer.ca.gov/cpcfaca/contacts.asp>

Participating Financial Institution Contact Information:

Participating financial institutions (PFIs) provide contact information and signer information upon joining CalCAP and updates annually thereafter. It is the responsibility of PFIs to ensure that CalCAP is kept informed of change to their organization's contact information at the time of change.

Public-facing contact information for all PFIs can be found here:

https://www.treasurer.ca.gov/cpcfca/calcap/PFI_lenders.pdf

2. Background and Program Description

CalCAP CS is a credit enhancement program which is currently funded by the [State Small Business Credit Initiative \(SSBCI 2.0\)](#). The CalCAP CS program was initially created in 2013 during SSBCI 1.0. CPCFA manages CalCAP CS with program longevity at the forefront, so that PFIs can rely on it as a tool to support small business lending today and in the future.

Program Description

When a loan or line of credit (LOC) is enrolled in CalCAP CS, a unique collateral support account is created. The collateral support account will be created at either CalCAP's Trustee bank, or the participating financial institution (PFI), if deemed eligible.

Regardless of account location, the account belongs to the program as does all interest payable to the account.

The support account receives the main cash pledge equal to 40% of the loan. The main cash pledge amount is what the fee to enroll is calculated upon. The enrollment may also qualify for an additional 10% pledge at no cost if the small business is located in a Severely Affected Community (SAC) or if the small business is owned by Socially and economically disadvantaged individuals (SEDI).

The loan or LOC is eligible for a claim of up to 100% of loss available in the collateral support account. Support can be provided for up to 5 years (not to exceed loan or LOC term).

At end of enrollment term, funds remaining in the collateral support account are recaptured and placed back to the program.

For more information on SSBCI in California, visit:

<https://www.treasurer.ca.gov/cpcfca/calcap/sb/ssbci.asp>

For U.S. Department of the Treasury SSBCI general information, visit:

[State Small Business Credit Initiative \(SSBCI\) | U.S. Department of the Treasury](#)

For U.S. Department of the Treasury SSBCI Capital program policy guidelines, visit:

<https://home.treasury.gov/system/files/136/SSBCI-Capital-Program-Policy-Guidelines.pdf>

3. California Statute

HEALTH AND SAFETY CODE - HSC

DIVISION 27. [44500 - 44563]

CHAPTER 1. Article 8 Capital Access Loan for Small Businesses

Link to Statute:

https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=HSC&division=27.&title=&part=&chapter=1.&article=8

4. California Code of Regulations

TITLE 4. BUSINESS REGULATIONS

DIVISION 11. SECTIONS 8001 – 8148

- ARTICLE 1. General Provisions
- ARTICLE 2. Definitions
- ARTICLE 3. General Provisions Relating to Authority Actions
- ARTICLE 4. Provisions Relating to Small Business Financings
- ARTICLE 5. California Loans for Environmental Assistance Now
- ARTICLE 6. Environmental Assessment
- ARTICLE 7. Capital Access Program for Small Businesses
- ARTICLE 8. Designation and Disclosure of Confidential Information
- ARTICLE 9. California Recycle Underutilized Sites (CALReUSE) Program
- ARTICLE 10. Sustainable Communities Grant and Loan Program-Grants
- ARTICLE 11. Sustainable Communities Grant and Loan Program-Loans
- ARTICLE 12. Rate Reduction Bonds
- ARTICLE 13. California Investment and Innovation Program

Link to current and any proposed CalCAP Regulations on the CPCFA website:

<https://www.treasurer.ca.gov/cpcfca/calcap/regulations.asp>

Link to published text of all State of California regulations can be found by visiting the website of the [Office of Administrative Law](#) and selecting “California Code of Regulations” or using the following link:

<https://govt.westlaw.com/calregs/Index?transitionType=Default&contextData=%28sc.Default%29>

Link to published text of CPCFA regulations via the Office of Administrative Law:

<https://govt.westlaw.com/calregs/Browse/Home/California/CaliforniaCodeofRegulations>

[?guid=IB536E4C0543B11ECAE2D000D3A7C4BC3&originationContext=documenttoc&transitionType=Default&contextData=\(sc.Default\)](#)

5. Interagency Agreement

Not applicable.

6. Financial Institution Participation Eligibility

Financial institutions that wish to participate in the CalCAP CS program can check to see if they are an eligible financial institution type here:

<https://www.treasurer.ca.gov/cpcfafa/calcap/participate.pdf>

To apply to become a participating financial institution (PFI) please:

- Fill out the CalCAP Financial Institution Application Form located: <https://www.treasurer.ca.gov/cpcfafa/calcap/forms/application.pdf>
- Attach a description of the Board of Directors, including names of all members, ethnicity, and gender.
- Once complete, send to the CalCAP Email inbox at CalCAP@treasurer.ca.gov.

If the institution has already been approved for previous CalCAP programs, please select the **Amended Financial Institution Application** box on the form, otherwise select New Financial Institution Application.

Upon approval for enrollment in the CalCAP CS program, the financial institution will be advised if the collateral support account will be held at the CalCAP trustee bank or at the financial institution. After approval the following steps must be completed before loans can be enrolled:

- Financial institution staff attends CalCAP-provided training on eligibility and forms.
- Financial institution provides authorized signers.
- Financial institution provides points of contact.
- Once all necessary information is provided, the financial institution will be added to the [PFI contact list](#) and can begin enrolling loans.

7. Program Loan Enrollment Eligibility

Business and Loan Requirements:

- **Maximum loan size:** \$20 million (loans larger than \$20 million cannot be enrolled)
- **Maximum enrolled loan amount:** \$10 million per borrower.
- **Maximum interest rate:** 18%. For SSBCI supported loans there is an interest rate cap tied to interest rate ceiling for loans made by federal credit unions set by the National Credit Union Administration (NCUA). The interest rate ceiling of 18% has been extended from September 11, 2024, through March 10, 2026 ([Permissible Loan Interest Rate Ceiling Extended | NCUA](#)).
- **Maximum average annual revenue:** No maximum.
- **Maximum number of employees:** 750.
- **Refinance:** The CalCAP CS and CalCAP for Small Business programs have the same limitations on loan refinancing.
 - When refinancing debt held at a different lending institution (participating financial institution A to participating financial institution B) the following criteria must be met:
 - The use of proceeds on the original loan and any subsequent refinances must have been for an eligible purpose under the Program. Documentation must be retained in the loan file to substantiate the eligibility of the original loan.
 - The business activities must be eligible for support under the Program.
 - When refinancing existing debt held at the same lending institution (participating financial institution A to participating financial institution A) the following criteria must be met:
 - The original loan must have been for an eligible purpose. The new loan shall include a new extension of credit.
 - The new loan shall be based on new underwriting.

- Documentation of original loan refinanced must be kept in the lender loan file.
- **Authorized Loan Types and Uses:** Loan proceeds can be used for start-up costs, working capital, franchise fees, equipment, inventory, and the purchase, construction, renovation or improvements of an eligible place of business. Loan proceeds may be used to purchase any tangible or intangible assets.
 - Participating financial institutions may also enroll bridge loans needed prior to the borrower obtaining permanent financing or support, including but not limited to SBA 504 bridge loans. Bridge loans are loans needed prior to obtaining permanent financing or support where the participating financial institution is at increased risk pending future take-out financing or guarantee.
- **Business activity:** Loan must have its primary economic effect in California.
 - At least 51% of the total revenues of the business activity are generated in California
 - Or at least 51% of the total jobs of the business are created and retained in California.
- **Ineligible Uses of Loan Proceeds Include:**
 - Any business purpose which is illegal under federal law, i.e. medical or recreational cannabis clubs or facilities
 - Any portion of an SBA loan or other government guaranteed loan*
 - Bars and liquor stores
 - Firearms, sale and use of
 - Gambling or gaming establishments
 - Non-business purpose
 - Purchase of goodwill in business acquisitions
 - Real estate, passive
 - Real estate, residential
 - Reimbursing funds owed to an owner
 - Repaying delinquent taxes or taxes held in trust or escrow

- Tobacco and/or tobacco products, production, sale and use of, including e-cigarettes, and vape smoke shops
- For additional details on prohibited uses of loan proceeds, please see the [CalCAP Regulations](#)

*While CalCAP cannot provide support for loans which are already enrolled with SBA or other similar program, nor for loans which are the same purpose as an already enrolled loan, if the Participating Financial Institution is willing to underwrite an additional loan that will be used for a different purpose than the first loan, the additional loan can be enrolled in CalCAP CS or CalCAP for Small Business.

(For example: borrower has an SBA loan for purchasing commercial real estate (CRE), another loan for the purchase of CRE cannot be enrolled in CalCAP CS , but if a loan for inventory or equipment would be eligible, subject to all other requirements.)

- **Additional Loan Provisions for SSBCI-Supported Loans**

- **Confessions of judgment.** Contract clauses requiring confessions of judgment often take away small business borrowers' legal defenses without any due process and, thus, tend to be harmful to these borrowers. Accordingly, SSBCI-supported transactions may not include such confessions of judgment clauses.
- **“Double-dipping” fees.** “Double dipping” occurs when a lender issues new credit to refinance prior credit without forgiving a portion of the fee already paid and results in the borrower paying a fee on top of a fee. Accordingly, SSBCI supported transactions may not include double-dipping fees.
- **Prepayment fees.** Prepayment fees may be customary for certain larger commercial loans and may enable lenders to charge lower interest rates that benefit borrowers in general.
 - For loans with an original principal amount under \$100,000, lenders may not include prepayment fees.

- For loans with an original principal amount of \$100,000 or more, lenders may include prepayment fees so long as any such fees are reasonable, customary, and clearly disclosed to the borrower.
- **Upfront fees.** Charges paid by the small business to lender cannot exceed 3% for loans/LOC greater than \$25,000 or \$750 for loans/LOC up to \$25,000. For this calculation, the fees paid to CalCAP are excluded. Out-of-pocket charges paid by the small business to the lender are also excluded.

8.Costs to Participate

Closing Costs

Table A provides the closing costs associated with enrollment, depending on the type of loan/line of credit and term of the enrollment (the lending term can exceed the term of enrollment). The closing costs can be divided between the lender and borrower.

The closing cost is calculated as a percentage of the main cash pledge amount. There is no cost charged for the additional cash pledge amount for loans which qualify as Severely Affected Community (SAC) or Socially and Economically Disadvantaged Individuals (SEDI).

There is a minimum cost of \$1,000. The cost is a one-time fee, charged at time of enrollment, except for renewals.

Table A CalCAP CS Enrollment Costs

Original Term of Enrollment in CalCAP CS	Percentage of Main Cash Pledge Charged for Eligible Term Loans or Lines of Credit	Percentage of Main Cash Pledge Charged for Eligible Bridge Loans
Up to 12 months	0.50%	0.50%
12.1 months - 24 months	0.75%	0.50%
24.1 months - 36 months	2.00%	1.50%
36.1 months - 48 months	2.75%	2.25%
48.1 months – 60 months	3.00%	2.50%
Minimum Fee Amount	\$1,000	\$1,000

Renewal of Lines of Credit

- Participating financial institutions may request renewals of support for lines of credit. Requests must be made prior to the maturity of the line of credit and accompanied by a new risk assessment of the borrower showing new or updated underwriting.
- A 1% fee will be assessed on the main cash pledge amount for each annual renewal on lines of credit.
- Lines of credit may only be renewed for a maximum of 5 years from initial date of disbursement.

Extensions for Bridge Loans

- Extensions will be allowed for bridge loans upon proper documentation being submitted to CalCAP CS.
- There is no cost associated with an approved extension should the length of the extension not exceed 24 months.
- If the effect of any extension or series of extensions would increase the total term of enrollment for the bridge loan into a tier associated with a higher fee, then any difference between the cost paid at enrollment and the newly calculated fees associated with the extension would be charged upon approval of the extension.

Recapture

At the end of the enrollment term (up to 5 years maximum), the original support amount will be returned to CPCFA unless the loan is in default. Bridge loans will experience the recapture once the balance of the loan is paid off or the related permanent financing goes into effect.

9. Program Enrollment Forms and Timeframes

To enroll a loan in the CalCAP CS program:

1. PFI generates the Collateral Support Request, attaches the Risk Assessment of the Borrower, SEDI form, and SAC form (if applicable) and submits to CalCAP.
2. CalCAP generates the Initial Collateral Support Approval with the "Proposed Support and Fees" box filled out.
 - The approval (or denial) will be sent within 3-5 business days
 - Initial Collateral Support Approval is valid for 90 days. If additional time is required, PFI shall contact CalCAP and request an extension.
3. CalCAP generates an approval letter that authorizes the CalCAP Trustee (if trustee-held) or authorizes the PFI (if lender-held) to open the collateral support account specific to the borrower.
4. PFI holds the **Initial** Collateral Support Approval until the loan is made.

It is important to wait for the **Initial Collateral Support Approval before funding the loan.** The loan will need to be disbursed or funded on the date of issuance listed on the Collateral Support approval, or later.

- For the date of loan, the PFI may choose either the date of first disbursement or the date of loan but must be consistent.
5. Within 15 business days of the date of the loan, PFI submits the following to CalCAP:
 - Proof of closing fee deposited into the collateral support account
 - **Initial** Collateral Support Approval with the "Final Loan Information" section completed
 - Borrower & Lender certifications, SEDI certification, and Demographics form.
 6. CalCAP completes the "Final Support Information" on the **Initial** Collateral Support Approval and generates a letter instructing the CalCAP Trustee to fund the collateral support account.
 - The CalCAP Trustee wires the collateral support amount to the collateral support account.

- Wire will be sent 5-7 business days after the CalCAP Trustee receives the letter.
7. Upon finalization of the loan enrollment, CalCAP will send a copy of the approved loan enrollment to the PFI.

The link to the most current version of each form is displayed in the table below:

CalCAP CS Program Enrollment Forms

Required Forms and Certifications	Submit to CalCAP with REQUEST	Submit to CalCAP with FINAL	Provide to Borrower
1. Collateral Support Request Form (https://www.treasurer.ca.gov/cpcfca/calcap/collateral/request.pdf)	✓		
2. Risk Assessment, in PFI's own format and including the following: Value of other collateral (if applicable), valuation of collateral (if applicable), borrower's risk rating and justification, summary of relationship with borrower and history of business, and the PFI's financial analysis of the borrower.	✓		
3. Socially and Economically Disadvantaged Individuals (SEDI) Certification Form (https://www.treasurer.ca.gov/cpcfca/calcap/sb/sedi.pdf)	✓		
4. If applicable, printout of webpage showing borrower is in a Severely Affected Community (SAC) for high unemployment	✓		

https://labormarketinfo.edd.ca.gov/data/monthly-data-release.html			
5. If applicable, Supplemental Severely Affected Community (SAC) Certification form https://www.treasurer.ca.gov/cpcfaca/cap/for/sac-contribution.pdf	✓		
6. NAICS Print-Out https://www.census.gov/naics/	✓		
7. Collateral Support Approval with “Final Loan Information”		✓	
8. Collateral Support Lender Certification Form https://www.treasurer.ca.gov/cpcfaca/cap/collateral/lender.pdf		✓	
9. Collateral Support Borrower Certification Form https://www.treasurer.ca.gov/cpcfaca/cap/collateral/borrower.pdf		✓	
10. Demographics-Related Data Certification Form https://www.treasurer.ca.gov/cpcfaca/cap/sb/demo.pdf		✓	
11. If applicable, Commercial Real Estate Investment Guidance & Refinancing and New Extensions of Credit Form https://www.treasurer.ca.gov/cpcfaca/cap/sb/real_estate.pdf		✓	
12. Proof of fees deposited into the assigned collateral support account		✓	

13. SSBCI Privacy Notice https://www.treasurer.ca.gov/cpcfca/calcap/sb/ssbci.pdf			✓
14. Electronic Signature Certification printout (if applicable)	✓	✓	

The PFI shall maintain a loan file for the borrower which will be made available to CPCFA for review upon request. The loan file shall contain: the original set of the above documents, a copy of the approved loan enrollment, and the entire loan qualification documentation. The PFI must also maintain documentation in each loan file demonstrating that the borrower is licensed to operate in California. Satisfaction of this requirement is at the sole discretion of CPCFA, and the documents shall be made available to CPCFA for review upon request. The following are examples of recommended documents, any one of which may demonstrate eligibility:

- Secretary of State Business Entity Filing
- Fictitious Business Name Filing
- Articles of Incorporation
- Current California Commercial Driver's License
- Annual Business Income Tax Statements

10. Enrollment Forms and Field Descriptions

Collateral Support Request

Below is a listing of all fields on the Collateral Support Request and the information needed for each field.

Lender Information Section

- **Participating Lender:** Name of the PFI (as enrolled).
- **Lender CalCAP ID#:** The PFI's assigned CalCAP Lender ID. This number was issued and provided on the signed copy of the PFI's "Financial Institution Application". (This number never changes.)
- **Lender Contact Name:** Name of PFI representative CalCAP can contact with questions about this enrollment.
- **Lender Contact Phone Number:** Direct phone number with area code for PFI representative named above.
- **Lender Contact Email:** Email of PFI representative named above.

Borrower Information Section

- **Borrower Name:** Name of the primary borrower (and co-borrower(s) if applicable) representing the business.
- **Borrower's Business Name (DBA):** Name of the business, sole proprietor, partnership, corporation, etc.
- **Business EIN/Tax ID:** Provide employer identification number (EIN), also known as a federal tax identification number which is used to identify a business entity. If the business is formed under an individual Social Security Number, leave blank. Do not include Social Security Number.
- **Form of Business Organization:** Provide the business organization structure, for example, corporation, sole-proprietorship, limited liability company etc.

- **Address monies will be used:** Provide the address where the loan funds will be used.
- **City:** Provide the name of the city where the loan funds will be used.
- **County:** Provide the name of the county where the loan funds will be used.
- **Zip:** Provide the zip code of where the loan funds will be used.
- **Type of Business Activities:** Business activities are the activities that a business undertakes in order to generate revenue and profits.
- **Year the business was incorporated or opened:** State the year the business was incorporated or opened.
- **Annual Revenues Last Fiscal Year:** List the borrower’s revenue for the last fiscal year.
- **Average Annual Revenue Last 3 Years:** List the borrower’s combined average annual business revenue for the last three years—rounded to the nearest whole dollar amount.
 - If the business is a start-up, use the current income or \$0.
 - If the business was established within the last three years, determine the average annual revenue for each year in which it did generate revenue.
- **Number of Employees:** Number of all full-time and part-time employees of the business. (Must be a minimum of 1 and cannot exceed 750.)
 - Refer to <http://www.treasurer.ca.gov/cpcfca/calcap/tools/employees.pdf> for instructions on how to report the number of employees.
- **Number of Full Time Equivalents:** Number of full-time employees. If unable to determine what a full-time equivalent is, please see the link above.
- **Number of Jobs Created:** Number of jobs created for the business as a result of the loan.
 - If jobs are not created as a result of the loan, use “0”.
- **Number of Jobs Retained:** Number of jobs retained for the business as a result of the loan.
 - If jobs are not retained as a result of the loan, use “0”.
- **Is the business located in a Severely Affected Community (SAC) or Socially & Economically Disadvantaged Individual/s (SEDI):** (State Yes or No)

- If yes for SAC, provide the reason (City, Unincorporated, County if City Not Listed, or Other).
- If yes for SEDI, provide the reason.
- **6-Digit NAICS Code** (<https://www.census.gov/naics/>): Six-digit number used by the North American Industry Classification System (NAICS) to categorize business types for the most current year.
- **11-Digit Census Tract #** (<https://geomap.ffiec.gov/ffiecgeomap/>): Eleven-digit number used to identify the specific location of the business. Please do not include decimal point.
- **Purpose of Loan:** Brief description of the use of loan proceeds (e.g. “working capital” or “start-up fees”).
- **Is business minority owned:** (State Yes, No, or Decline to Answer)
 - The business is minority owned if at least 51% of the business is owned by one or more minority individuals.
- **Is business woman owned:** (State Yes, No, or Decline to Answer)
 - The business is woman owned if at least 51% of the business is owned by one or more women.
- **Is business veteran owned:** (State Yes, No, or Decline to Answer)
 - The business is veteran owned if at least 51% of the business is owned by one or more veterans.

Collateral Support Information Section

- **Is the loan enrolled in any other government guarantee program:** State yes or no.
 - If, yes, name the program.
- **Participating Financial Institution Loan Number (if assigned):** provide the PFI loan number if assigned (loan should not have been made until after approval from CalCAP has been issued).
- **Proposed Loan Amount:** State the total proposed loan amount anticipated to be made to the borrower.

- **Loan Category (Bridge Loan or Small Business Loan):** State if the loan is a bridge loan or a small business loan.
- **Supported Amount Requested:** State the total amount provided by CalCAP as cash collateral support.
- **Supported Percentage Requested:** State the support percentage requested.
- **Printed Name of Signer:** Print the name of the authorized signer for the financial institution.
- **Authorized Lender Signature:** Signature of the authorized signer for the financial institution.
- **Date:** Date the form was signed.

Risk Assessment

This is not a CalCAP form, but a document generated from the PFI to CalCAP which will provide a value of the collateral, valuation of collateral, borrower's risk rating and justification, summary of relationship with borrower and history of business, and the PFI's financial analysis of the borrower.

Socially and Economically Disadvantaged Individuals (SEDI) Certification Form

The SEDI form is required to be included with the other required loan enrollment documents. The borrower/business will review and can choose whether or not to certify. SSBCI programs are designed to expand access to capital, promote economic resiliency, and create new jobs and economic opportunity. SSBCI provides funding for participating jurisdictions to support businesses owned and controlled by socially and economically disadvantaged individuals (SEDI-owned businesses). This certification provides documentation that an SSBCI loan or investment supported a SEDI-owned business.

The borrower may identify all items in groups (1) through (3) on the form that apply, including all subcategories in group (1) that apply. If the borrower chooses not to certify there is a field to check to indicate not certifying.

- **Legal Name of Borrower:** State the legal name of the borrower, not the business name.
- **Lender Loan Number:** State the lender loan number.
- **Business Not Certifying:** The business has the option to check the box to declare that they will not be certifying.
- **Category #1:** If the borrower/business that is owned and controlled by individuals who have had their access to credit on reasonable terms diminished as compared to others in comparable economic circumstances, due to the items listed in category number one on the SEDI Form, can select one or more of the items listed on the form to certify.
- **Category #2:** If the borrower's residence is located in a CDFI investment area (<https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci/2021-ssbci/cdfi-fund-investment-areas>) fill in the full borrower's residence address in the "Individual(s)' Address(es) in CDFI Investment Areas" field on the SEDI form.
- **Category #3:** If the business will build, open, or operate is located in a CDFI Investment Area (<https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci/2021-ssbci/cdfi-fund-investment-areas>) fill in the full business address in the "Business Address in CDFI Investment Area" field on the SEDI form.
- **Authorized Lender Signature:** To be signed by the PFI-designated authorized signer listed on the authorized signers list most recently provided to CalCAP by the PFI.
- **Title:** State the title of the PFI-designated authorized signer.
- **Printed Name of Authorized Signer:** Print the name of the PFI-designated authorized signer.
- **Date:** List the date the form was signed.

- **Borrower Signature:** Signature of the borrower that is certifying.
- **Borrower Printed Name:** Printed name of the borrower.
- **Date:** List the date the form was signed.

Supplemental Severely Affected Community (SAC) Printout and Certification form

Loan Enrollments can qualify for additional credit enhancements. One way to qualify is called a Severely Affected Community Credit Enhancement (SAC), and the other is to qualify as a Socially and Economically Disadvantaged Individuals (SEDI) which was discussed in the previous section of this manual. PFI's can receive the additional contribution in their loan loss reserve account for one or the other but not for both.

There are a few ways to qualify for a SAC credit enhancement:

The borrower's business would need to be located in a city whose unemployment rate is 110% higher than the unemployment rate of the State of CA. In determining SAC for high unemployment rates, we use the Employment Development Department's (EDD) monthly reporting to calculate. The calculation process can be found in the following link: <https://www.treasurer.ca.gov/cpcfca/calcap/tools/communities.pdf>

A printout of the SAC determination must be included along with the other CalCAP CS enrollment forms to CalCAP.

- The business is directly impacted by an economically distressed geographic area. Some situations might include disruption to supply chain; physical damage to the business or property; mandatory evacuation area; quarantines; temporary closure due to safety risk; wildfires; floods; extended power outage due to public safety power shutoffs; or if the borrower's business or residence is located in a CDFI Investment Area ([Visit the CDFI Public Viewer](#)).

If the SAC qualification is not related to the high unemployment rate, then the Supplemental Severely Affected Community (SAC) Certification form would need to be filled out and submitted to CalCAP. The PFI must include the circumstances and justification in the credit-memo/credit analysis at the time of submitting the request and fill out this SAC form accordingly.

The form is two pages long, and both the borrower and PFI will need to certify.

Documentation of the qualifying event will need to be retained in the PFI's loan file.

Form field descriptions below:

- **Located in a CDFI Investment Area:** Provide full address of business or residence.
- **Qualifying Event:** Please state how the business was specifically impacted.
- **Lender Loan Number:** State the lender/PFI loan number.
- **Authorized Lender Signature:** To be signed by the PFI-designated authorized signer listed on the authorized signers list most recently provided to CalCAP by the PFI.
- **Printed Name of Authorized Signer:** Printed name of the designated authorized signer.
- **Title of Authorized Signer:** Title of authorized signer.
- **Date:** Date the authorized signer signed the form.
- **Borrower Signature:** Borrower to sign their name.
- **Borrower Printed Name:** Borrower to print their name.
- **Date:** Date the borrower signer signed the form.

North American Industry Classification System (NAICS) Printout

The North American Industry Classification System or NAICS coding is an industry classification, which produces a 6-digit code, relating to the type of business for the borrower.

Each loan enrolled into the program, must have a NAICS code on their loan enrollment application.

The PFI shall use the NAICS website (<https://www.census.gov/naics/>), to enter the type of business for the most current year and select go. A list of classifications will generate. Select the appropriate NAICS code that most closely defines the type of business for the borrower.

Enter this 6-digit code on the loan enrollment application. The 6 digits consist of the state code, the county code, and the tract code. Do not enter the decimal.

Collateral Support Approval with “Final Loan Information”

The PFI will have 15 business days from the Date Of Loan to submit the required final information. Below are the fields and required information for the final loan information section.

- **Lender Loan #:** State the lender/PFI loan number
- **Type of Loan:** State if term loan or line of credit.
- **Final Loan Amount:** State final loan amount.
- **Enrolled Loan Amount:** State the enrolled loan amount.
- **Date of Loan:** Date of initial disbursement.
- **Maturity Date:** Date the loan matures.
- **Interest Rate:** State the interest rate percentage.
 - **Is interest rate Fixed or Variable?** State if the interest rate is fixed or variable.
 - **If, variable, provide Start Rate:** If the interest rate is variable, provide the start rate.
 - **If, variable, provide Cap:** If the interest rate is variable, provide the interest rate cap.
- **Loan APR:** State the loan’s annual percentage rate.

- **Loan Category:** State if the loan is a Bridge or Small Business Loan.
- **Collateral Support Loan Loss Reserve Account #:** State the collateral support loan loss reserve account number for the specific loan enrollment.
- **Total Loan Origination Charges:** This does not include program fees or out-of-pocket expenses.
- **Authorized Lender:** To be signed by the PFI-designated authorized signer listed on the authorized signers list most recently provided to CalCAP by the PFI.
- **Date:** Date the form was signed.

The PFI will complete the “Final Loan Information” section on the Collateral Support Approval (form sent from CalCAP during the initial approval phase) and submit to the CalCAP (CalCAP@treasurer.ca.gov) inbox, along with the following forms:

- Signed Lenders Certification form
- Signed Borrowers Certification form
- Signed SEDI form (if not already provided during the initial Collateral Support Request)
- Demographics form
- Proof of closing fee deposited
- SAC certification, if applicable
- Wiring instructions (only for lender/PFI held accounts)

Lender Certification Form

By signing the lender certification form the PFI certifies their adherence to the CalCAP and program rules and requirements (including US Treasury program requirements for loan enrollments funded with SSBCI funds) regarding the loan and the borrower’s business.

- **Lender Loan Number:** List the unique loan number associated with the borrower’s loan.

- **Borrower Name:** Name of borrower (and co-borrower(s) if applicable).
- **Authorized Lender Signature:** To be signed by the PFI-designated authorized signer listed on the authorized signers list most recently provided to CalCAP by the PFI.
- **Date:** Date the authorized signer signed the form.

Borrower Self-Certification Form

The borrower is required to review and sign the borrower self-certification form. The borrower self-certification form states that the business is a qualified business per regulatory definitions, the borrower is licensed to conduct the type of business, and that the loan proceeds are used for permitted loan purposes.

- **Business Name:** Print the business name.
- **Lender Loan #:** State the lender loan number.
- **Legal Name of Borrower or Investee:** Print the borrower/Investee name.
- **Individual Title:** State the borrower's title as it pertains to the business.
- **Signature of the above individual:** Borrower to sign their name.
- **Date:** Borrower to date the form.

Demographics-Related Data Certification Form

This Ethnicity, Race, Ancestry, Gender, Sexual Orientation, and Veteran Status Demographics-Related Data Certification is required by the PFI to provide to the borrower to review and for the six questions listed on the form can select all that apply. The borrower does not have to certify and can select the option to “prefer not to respond” for all six questions.

This information is being collected to help ensure that communities' small business credit needs are being fulfilled and allow SSBCI to analyze the populations that SSBCI funding is benefiting.

- **Legal name of Borrower:** State the legal name of the borrower, not the business name.
- **Lender Loan Number:** State the lender/PFI loan number.
- **Questions 1-6:** Borrower to select all that apply or select prefer not to respond.

Commercial Real Estate and Refinancing Lender Questionnaire (if applicable)

This form will only be filled out and submitted if applicable.

The top portion (Box #1) of the form provides guidance on commercial real estate investment and its requirements.

The bottom portion (Box #2) provides guidance on refinancing and its requirements.

Box #1: SSBCI supported loan proceeds may not be used to improve or renovate any portion of a rentable property that the small business borrower leases to a third party, and for construction of a new building the small business must occupy and use at least 60 percent of the total rentable property. If loan proceeds are used in the acquisition, renovation or reconstruction of an existing building, the borrower may lease up to 49% of the rentable property to one or more tenants, If the small business occupies and uses at least 51% of the total rentable property within 12 months following the acquisition, renovation or reconstruction.

- **Question #1:** Does the transaction include the purchase or refinance of commercial real estate: Select yes or no box. If No, then skip to box #2. If yes, proceed to Question #2.
- **Question #2:** Is the purchase or refinance of the purchase for an existing building or new construction: State if existing building or new construction.
- **Question #3:** What percentage of the building will be occupied by the business: State the percentage.

Box #2: If the SSBCI-supported loan is a refinancing, it complies with all applicable SSBCI restrictions and requirements regarding refinancing and new extensions of credit, including that the SSBCI-supported loan is not a refinancing of a loan previously made to the borrower by the lender or an affiliate of the lender.

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

New Lenders. Under the SSBCI statute, a lender is not prohibited from enrolling or refinancing loans previously made by another, non-affiliated financial institution. Accordingly, a lender may refinance a borrower's existing loan, line of credit, extension of credit, or other debt originally made by an unaffiliated lender so long as the proceeds of the transaction are not used to finance an extraordinary dividend or other distribution.

When a participating jurisdiction uses SSBCI funds to support the purchase of a loan from another, non-affiliated financial institution, the jurisdiction must make a determination that the transaction is beneficial to the small business borrower. For purposes of the eligible business purpose and certification requirements, the eligible business purpose of the new loan is generally determined by the purpose of the underlying funding being refinanced.

New Extensions of Credit by Existing Lenders. Financial institution lenders are generally prohibited from refinancing an existing outstanding balance or previously made loan, line of credit, extension of credit, or other debt owed by a small business borrower already on the books of the same financial institution (or an affiliate) into the SSBCI-supported program. However, a financial institution lender may use SSBCI funds to support a new extension of credit that repays the amount due on a matured²² loan or other debt that was previously used for an eligible business purpose when all the following conditions are met:

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; 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;

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 Proceeds of the transaction are not used to finance an extraordinary dividend or other distribution.¹

Proof of Fees

Provide the proof of fees that were deposited into the Collateral Support Loan Loss Reserve account for the specific loan. This proof is provided by the PFI, for example a copy of the wire transfer, copy of the account statement showing the deposited fees.

State Small Business Credit Initiative (SSBCI) Privacy Notice

The CalCAP SSBCI Privacy Notice is required for the participating financial institution to provide to the borrower and retain in the borrower's loan file. The privacy notice should **not** be sent to CalCAP.

The CalCAP SSBCI Privacy Notice can be found here:

<https://www.treasurer.ca.gov/cpcfca/calcap/sb/ssbci.pdf>

Electronic Signature Certification Printout

If the borrower and/or PFI is using e-signatures, the PFI must also submit the e-signature certification of completion.

¹ <https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci/ssbci-2-resources>

11. Submitting a Notification of Change in Terms

Not applicable for the CalCAP Collateral Support Program.

Transfer and Sale of CalCAP Program Loan Enrollments

A participating financial institution (PFI) may request the CPCFA Executive Director to assign, transfer, pledge, or create security interests in all or a portion of any collateral support account to any other entity or entities (including a trustee of a securitization trust or trusts) in connection with the securitization of all or a portion of the PFI's loans enrolled in CalCAP CS.

If a PFI desires to assign, transfer, pledge, or securitize all or a portion of any enrolled loan or collateral support account, the PFI shall submit a written request to CalCAP no less than thirty (30) calendar days in advance of such action, together with the list of loan(s) and the amount(s) of the collateral support account(s) subject to the request, and a draft of the legal document describing the assignment, transfer, pledge, or securitization.

Any loan enrolled in CalCAP CS, or portion thereof, which is subsequently assigned, transferred, pledged, or securitized without the advance written approval of the CPCFA Executive Director shall no longer be deemed a qualified loan or covered by the collateral support account.

12. Recapture

CalCAP CS was created with a recapture schedule in place. The recaptured funds are recycled and used to support future CalCAP CS requests in order to sustain the program.

CalCAP will recapture the pledged funds at the end of the term of the support (up to 5 years). CalCAP will generate a recapture letter with instructions on how to submit funds to CalCAP which will be sent after the support has expired.

13. Collateral Support Default Notification Form

The Default Notification form must be sent to the CalCAP inbox when a loan defaults: CalCAP@treasurer.ca.gov. The submission of the Default Notification will suspend the Recapture in case a claim needs to be filed later.

Lender Information

- **Participating Lender:** Name of participating financial institution.
- **Lender ID #:** The PFI's assigned CalCAP Lender ID. This number was issued and provided on the signed copy of the PFI's "Financial Institution Application". (This number never changes.)
- **Name:** Printed name of the designated authorized signer.
- **Phone Number:** Phone number of the designated authorized signer.
- **Email:** Email of the designated authorized signer.

Borrower Information

- **Name:** Print the borrower's name.
- **DBA:** State the borrower's business name.
- **CSP#:** State the Collateral Support Program (9-digit) number issued at the time of final funding.

Loan Information

- **Lender Loan #:** State the lender/PFI loan number.
- **Date of Loan:** Date of initial disbursement.
- **Original Principal/Loan Amount:** Amount disbursed to borrower upon first funding of loan.
- **Original Collateral Support Amount (\$):** Amount of approved collateral support.
- **Principal Balance at Default:** Outstanding balance.

- **Date of Default:** Date of first delinquency.
- **Authorized Lender Signature:** To be signed by the PFI-designated authorized signer listed on the authorized signers list most recently provided to CalCAP by the PFI.
- **Date:** Date the authorized signer signed the form.

14. Submitting a Claim

If a participating financial institution (PFI) charges off all or part of an enrolled loan as a result of default, and the PFI has experienced a net loss originating from the outstanding principal, accrued and unpaid interest, and/or reasonable out-of-pocket expenses, the PFI may be eligible to have a claim approved for up to 100% of the enrolled loan amount.

The PFI must abide by their standard collection practices both before and after a claim is filed with CalCAP. If the PFI receives any recovery after a claim is filed with CalCAP, the PFI must report each recovery on the PFI's Quarterly Report and must reimburse the loan loss reserve account on a dollar-for-dollar basis.

The PFI is required to submit the claim packet to CalCAP within 120 days of the charge off. The claim packet must include the following:

- Claim Application
- A complete transaction history of the account
- A short-written synopsis of the loan history, including the last payment date, when and why the loan charged off, any liquidation efforts (dates and amounts) and future collections efforts
- Bill of Sale for liquidated collateral
- Receipts for any reasonable out-of-pocket expenses claimed
 - When assessing whether an out-of-pocket expense is considered reasonable, the PFI should consider the best lending practices and act in a prudent and judicious manner during their collection processes.

If the claim packet is filled out properly and the PFI has faithfully complied with CalCAP requirements, CalCAP will approve a claim. An approved claim is reimbursed from the funds available in the loan loss reserve account assigned to the PFI for the program in

which the charged off loan is enrolled, whether the loan loss reserve account is held at the CalCAP Trustee Bank or the PFI.

Claim Application: <https://www.treasurer.ca.gov/cpcfca/calcap/forms/claim.pdf>

15. Claim Form and Field Descriptions

Lender and Borrower Information Section

- **Participating Lender:** Name of the participating financial institution (PFI)
- **Lender Contact:** Name, phone number, and email address of PFI representative CalCAP can contact with questions about this claim.
- **Lender's CalCAP ID#:** The PFI's assigned CalCAP Lender ID. This number is issued and provided on the signed copy of the PFI's "Financial Institution Enrollment" agreement and the "Welcome Letter" that accompanied it. (This number never changes.)
- **CalCAP Loan Number:** The number CalCAP assigned to the loan after it was approved. This number can be found on the approved CalCAP loan enrollment application form that is provided to the PFI via email.
- **Borrower's Name:** Name of the primary borrower representing the business.
- **Borrower DBA ("Doing Business As"):** Name of business, sole proprietor, partnership, corporation, etc.

Loan Information Section

- **Original Principal Amount of Loan:** Amount disbursed to borrower upon first funding of loan.
- **Date of Loan:** Date of initial disbursement.
- **Default Amount:** Delinquent amount of loan (outstanding principal prior to liquidation of collateral).
- **Date of Default:** Date of last delinquency (date Borrower ceased repayment).
- **Is this loan secured?** (Yes or No): If yes, what form of security, identify whether collateral was used to secure the loan. If answered "yes", describe the type of collateral used.
- **Date of Charge-off:** Date the loan was deemed uncollectable by the PFI and charged off the books from an asset to a liability.

- **Was the loan in the first \$1 million of CalCAP loans made by PFI?** (Yes or No): Indicate whether this loan falls within the first \$1 million for a PFI (regardless of amount currently enrolled).
- **Have enforcement proceedings begun?** (Yes or No): Answer “yes” if PFI has started collection efforts, otherwise answer “no”.
- **PFI’s priority of claim (If two or more claims filed by PFI):** Rank the priority of this claim in comparison to other claims already filed by PFI.

Claim Information Section

- **Outstanding Principal:** List the amount of the outstanding principal calculated as:
 - Original Principal Amount
 - Less Payments Applied to Principal
 - Resulting in Outstanding Principal
- Note: CalCAP does not authorize reimbursement for PFI-issued fees (NSF fees, late fees, etc.).
- **Liquidated Collateral:** This is the full liquidated amount.
- **Accrued and Unpaid Interest:** List the amount of accumulated, unpaid interest calculated from the day after the last interest payment was made until the date of loan charge-off. The interest is calculated at the rate listed on the original application.
- **Out-of-Pocket expenses (Attach proof of payments and identifying details):** List the amount of reasonable out-of-pocket expenses incurred related to delinquent loan recovery efforts (e.g. repairs, towing charges, legal fees), and include invoice and corresponding proof of payment documentation for any listed out-of-pocket expense. The receipts must contain identifying information (e.g. Borrower Name, CalCAP #, Lender Loan #).
- **Total:** This is the total sum of the outstanding principal, accrued and unpaid interest, and out-of-pocket expenses.

- **Authorized Signature:** The authorized signer must be on the most current authorized signers list CalCAP has received from the PFI.
- **Date:** Date the claim was signed.
- **Title:** Title of the authorized signer.

16. Reporting Requirements and Retention

CalCAP Regulations require participating financial institutions (PFIs) to report to CalCAP on the status of loans enrolled in the Program on a regular basis. In addition, PFIs should communicate to CalCAP any changes to the PFI's contact information to ensure important communications from CalCAP are received by the appropriate point of contact.

Monthly Reporting

Each PFI with a PFI-held (internally held) loan loss reserve account is required to **submit a monthly account statement to CalCAP by the 15th of the following month** (e.g. the statement for January must be submitted by February 15th) by email at CalCAP@treasurer.ca.gov.

CalCAP Regulation §8073 (b) states:

“For each Loss Reserve Account held by a Participating Financial Institution, the Participation Financial Institution shall submit to the Authority a monthly statement of the account activities and balance, no later than the 15th of the following month.”

If the monthly account statement is not submitted, no deposits from CalCAP will be made to the loan loss reserve account pursuant to CalCAP Regulation §8078.25 (c)(3).

The account statement must provide a detailed description of the account and a complete summary of all transactions for the period covered.

Quarterly Reporting

No quarterly reports are required to be submitted for CalCAP CS unless the CS loan is in default.

IF a PFI needs to submit a quarterly report to CalCAP, pursuant to CalCAP Regulation §8078.25 (f), it should be done **by the 15th of the month following the end of the quarter**, by email at CalCAP@treasurer.ca.gov as follows:

Quarter Begins	Quarter Ends	Quarterly Report due to CalCAP
January 1	March 31	April 15
April 1	June 30	July 15
July 1	September 30	October 15
October 1	December 31	January 15

Noncompliance with the quarterly reporting requirement, can result in suspension from the Program, mandatory transfer of loss reserve accounts to the CalCAP Trustee Bank, and/ or termination from Program.

Please note that CalCAP will suspend enrollments of loans upon written notice to the PFI at least ten (10) business days prior to the effective date of the suspension. If the violations are not corrected within thirty (30) business days from the effective date of the suspension the PFI may be terminated from the program. In the event of termination from the program, the PFI cannot enroll any further loans, but all previously enrolled and still eligible loans will be covered by the loss reserve account until they are paid off, claims are filed, or the PFI withdraws from the Program.

CalCAP Regulation §8078.25 (h) states:

“The Authority may suspend enrollment of Qualified Loans upon written notice to the Participating Financial Institution at least ten (10) business days prior to the effective date of the suspension. Causes for suspension may include violations of applicable statutes or regulations. If the violations are not corrected within thirty (30) business days

from the effective date of the suspension the Executive Director is authorized to terminate participation of a Participating Financial Institution in the Program. In the event of such termination, the Participating Financial Institution shall not be authorized to enroll any further Qualified Loans.”

The Quarterly Reports shall be submitted using the excel template located here:

<http://www.treasurer.ca.gov/cpcfca/calcap/template.xls>

The Quarterly Report should clearly identify the CalCAP loan number, lender loan number, borrower's name and/or DBA, date of the loan (first disbursement), maturity date, total loan amount, total enrolled amount outstanding, and date the loan was paid off.

If a loan enrolled in CalCAP by the PFI was assigned, transferred, or pledged to another entity, the PFI which originally held the debt must 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. The Quarterly Report must indicate if the loan was transferred to another PFI pursuant to prior authorization by CPCFA, or if it was transferred to an entity which is not a PFI. If the PFI did not receive pre-approval for a transfer or if a transfer was made to a financial institution not approved to be a CalCAP PFI, the loan enrollment is no longer deemed a Qualified Loan or covered by the Loss Reserve Account.

For loans that received a claim approval, the report should also include the date of charge off, claim amount paid, recovery dates, recovery amounts, and a short-written synopsis of the loan history (including the last payment date, when and why the loan charged off, any liquidation efforts (dates and amounts) and future collections efforts).

Change in PFI Points of Contact and/or Authorized Signers List

To ensure CalCAP is able to contact the appropriate parties and that the participating financial institution (PFI) is aware of all current CalCAP rules and regulations as well as

changes to program policies or practices, the **PFI shall inform CalCAP by email sent to CalCAP@treasurer.ca.gov of any changes** to the name, address, phone, or email of the contacts listed below:

- **Main Contact** – CalCAP’s primary PFI contact
- **Public Contact** – PFI contact for public inquiries (name and address will be published on the CalCAP website)
- **Financial Contact** – PFI contact authorized to discuss bank statements, quarterly reports, claim refunds, etc. with CalCAP
- **Loan and Claim Documents Email Recipient** – PFI contact authorized to receive completed loan and claim documents from CalCAP (only list one).
- **General Emailing List** – on occasion, CalCAP sends out email announcements for new processes, new forms, PFI roundtable meetings, etc. PFI should provide the email addresses for those wishing to receive such correspondence.
- **Authorized Signers** – PFI contacts authorized to submit applications for enrollments and claims.

Retention

All loan documents associated with loans enrolled in CalCAP CS are required to be retained three years after the maturity date of the loan.