

Manual for CalCAP for Small Business 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 for Small Business Program (CalCAP for SB), 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 for SB website at <https://www.treasurer.ca.gov/cpcfa/calcap/sb/tools.asp>.

CalCAP Contact Information:

When a financial institution enrolls 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 for SB Main Webpage:

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

Link to CPCFA Contact Information Webpage:

<https://www.treasurer.ca.gov/cpcfa/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 for SB is a credit enhancement program, currently funded by the [State Small Business Credit Initiative \(SSBCI 2.0\)](#). It helps foster connections between small businesses and financial institutions. By providing credit support, it encourages financial institutions to invest in small businesses, helping to drive the growth of California's economy.

Program Description

When a loan or line of credit (LOC) is enrolled in CalCAP for SB, each individual loan enrollment is given uniquely multiple contributions based on eligibility. Lender selects and pays a contribution rate of 2 – 3.5% of the enrolled portion of the loan. Borrower contribution matches the lender-selected contribution. The combined cost is 4 – 7% of the enrolled portion of the loan. With SSBCI funding, the CalCAP for SB program will match the lender and borrower fees and if eligible will also match the lender's fee for an applicable SAC contribution. This can bring the maximum total of contributions into the lender's loan loss reserve account at 17.5% if the lender selects the highest contribution amount.

After funding, lender has 15 business days to enroll the loan. Once the loan has been processed and approved, CalCAP deposits program contributions into the loan loss reserve account to join contributions from other loans enrolled in by the lender. The lender will receive an email confirmation of the approved loan enrollment which should be saved in the lender's loan file. For more information on SSBCI in California, visit:

<https://www.treasurer.ca.gov/cpcf/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. Capital 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
 - SUBARTICLE 1. CALReUSE Brownfield Assessment Program
 - SUBARTICLE 2. CALReUSE Remediation 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:

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

Published text of all CPCFA regulations can be found by visiting the website of the [Office of Administrative Law](#) and following the instructions below:

Instructions

- Select Cal. Code Regs
- Select List of CCR Titles
- Select Title 4 Business Regulations
- Select Division 11

5. Interagency Agreement

Not applicable.

6. Financial Institution Participation Eligibility

Financial Institutions that wish to participate in the CalCAP for SB 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 for SB program, the financial institution will be advised if the loan loss reserve 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:** \$5 million (No minimum loan size).
- **Maximum enrolled loan amount:** \$2.5 million per borrower over a 3-year period.
- **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:** 500.
- **Restructure:** A restructure is a loan enrollment has already been approved and enrolled in the CalCAP for Small Business program and the lender is now providing additional funding to the borrower before the original loan has matured. The [refinance form](#) is NOT needed. The lender/borrower will pay fees on the NEW monies that are being added and there will be a new lender loan number. All new enrollment forms will be needed (restructure will have a new lender loan number),
- **Refinance:** A refinance is when a lender refinances a loan that is NOT already enrolled with CalCAP and is subject to the requirements on CalCAP's [refinance form](#). Refinances must be for an eligible business activity and may not include financing for an extraordinary dividend or other distribution. All new loan enrollment forms will be needed (refinance will have a new lender loan number). Resources on eligible/non-eligible business activities: SSBCI Program Guidelines - <https://home.treasury.gov/system/files/136/SSBCI-Capital-Program-Policy-Guidelines.pdf> and CalCAP Regulations <https://www.treasurer.ca.gov/cpcfca/calcap/regulations.asp>.

- 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.
- **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 that 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 for Small Business or CalCAP CS program.

(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 for SB, 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

Lender and Borrower Fees

Financial institutions determine the fees to be paid by the borrower and financial institution (within the Program parameters of 2-3.5%). When a loan is enrolled in CalCAP for Small Business, the Participating Financial Institution (PFI) sets a contribution percentage for the loan loss reserve, between 2% and 3.5%. The borrower matches this percentage, and CalCAP adds the same amount using SSBCI funds.

If the business is in a Severely Affected Community (SAC), CalCAP adds an extra contribution equal to the PFI's percentage. SAC is defined as an “economically distressed geographic area”, as designated by the Executive Director. Economically distressed geographic area might include: disruption to supply chain; physical damage to the business or property; mandatory evacuation area; employee/customer home was at risk; quarantines; temporary closure due to safety risk; customers and /or sales lost; wildfires; floods; extended power outage due to public safety power shutoffs; or if the business or residence is located in a CDFI investment Area ([Visit the CDFI Public Viewer](#)).

For example, if the PFI sets a 2% contribution, the borrower and PFI each contribute 2%, and CalCAP contributes 4%, totaling 8% for the loan loss reserve. If the loan qualifies for SAC, CalCAP will add another 2%, bringing the total to 10%.

9. Program Enrollment Forms and Timeframes

To enroll a loan in the CalCAP for SB program:

1. PFI generates the small business loan enrollment application and funds the loan, attaches the following documents listed within **15 days of the “Date of First Disbursement” (Date of Loan):**
 - The PFI may choose the date of first disbursement or the date of loan but must be consistent. Small Business Loan Enrollment Form
 - Lender Certification
 - Borrower Certification
 - SSBCI Privacy Notice
 - Electronic Signature Certification Printout (if applicable)
 - NAICS Printout
 - Census Tract Printout
 - Printout of Webpage Showing Borrower is in a Severely Affected Community (SAC) for High Unemployment (if applicable)
 - Supplemental Severely Affected Community (SAC) Certification Form (if applicable)
 - Socially and Economically Disadvantaged Individuals (SEDI) Certification Form
 - Demographics-Related Data Certification Form
 - Borrower’s Agreement to Pay Lender’s Fees (if applicable)
 - Commercial Real Estate and Refinancing Lender Questionnaire (if applicable),
 - Proof of Fee Deposit (with highlighted transaction)
2. CalCAP processes full complete application within 15 business days received.
3. CalCAP deposits program contributions into the loan loss reserve account to join contributions from other loans enrolled by the lender.
4. 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 for SB Program Enrollment Forms

| Required Forms and Certifications | Submit to CalCAP | Provide to Borrower |
|--|------------------|---------------------|
| 1. Small Business Loan Enrollment Form (https://www.treasurer.ca.gov/cpcf/calcap/sb/enrollment.pdf) | ✓ | |
| 2. Small Business Lender Certification (https://www.treasurer.ca.gov/cpcf/calcap/sb/lender_cert.pdf) | ✓ | |
| 3. Small Business Borrower Certification (https://www.treasurer.ca.gov/cpcf/calcap/sb/certification.pdf) | ✓ | |
| 4. SSBCI Privacy Notice (https://www.treasurer.ca.gov/cpcf/calcap/sb/ssbci.pdf) | | ✓ |
| 5. Electronic Signature Certification Printout (if applicable) | ✓ | |
| 6. NAICS Printout (https://www.census.gov/naics/) | ✓ | |
| 7. Census Tract Printout (https://geomap.ffiec.gov/ffiecgeomap/) | ✓ | |
| 8. Printout of Webpage Showing Borrower is in a Severely Affected Community (SAC) for High Unemployment (if applicable) (https://labormarketinfo.edd.ca.gov/data/monthly-data-release.html) | ✓ | |

| | | |
|---|---|--|
| 9. Supplemental Severely Affected Community (SAC) Certification Form (if applicable) (https://www.treasurer.ca.gov/cpcfca/calcap/forms/sac-contribution.pdf) | ✓ | |
| 10. Socially and Economically Disadvantaged Individuals (SEDI) Certification Form (https://www.treasurer.ca.gov/cpcfca/calcap/sb/sedi.pdf) | ✓ | |
| 11. Demographics-Related Data Certification Form (https://www.treasurer.ca.gov/cpcfca/calcap/sb/demo.pdf) | ✓ | |
| 12. Borrower's Agreement to Pay Lender's Fees (https://www.treasurer.ca.gov/cpcfca/calcap/sb/fees.pdf) | ✓ | |
| 13. Commercial Real Estate and Refinancing Lender Questionnaire (if applicable) (https://www.treasurer.ca.gov/cpcfca/calcap/sb/realestate.pdf) | ✓ | |
| 14. Proof of Fee Deposit (with highlighted transaction) | ✓ | |

The original loan application should be maintained with the borrower's loan file along with the entire loan qualification documentation, and the entire loan file made available to CalCAP for review upon request.

Once the loan enrollment application is approved, the PFI will receive a copy of the approved loan enrollment. The PFI shall maintain a copy of the approved loan enrollment in the loan file as well.

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

Loan Enrollment Application

The loan enrollment application consists of the participating financial institution's (PFI's) contact information, the borrower's contact information, and general information about the business and the loan. Below is a listing of all the fields on the loan enrollment application 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. 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 or part-time employees of the business. (Must be a minimum of 1 and cannot exceed 500.)
 - Refer to <http://www.treasurer.ca.gov/cpcf/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):** (State Yes or No)
 - If yes for SAC, provide the reason (City, Unincorporated, County if City Not Listed, or Other).

- **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.

Loan Information Section

- **Is the loan enrolled in any other government guarantee program:** State yes or no.
 - If, yes, name the program.
- **What percent of loan is enrolled in another program? (%):** State the percent if enrolled in another program, if not leave blank.
- **What percentage of loan is being enrolled in CalCAP? (%):** State the percentage amount enrolled with CalCAP.
- **Lender Loan Number:** List the unique loan number associated with the borrower’s loan.
- **Type of Loan (Line of Credit or Term Loan):** State if the loan is a Line of Credit or Term Loan.
- **Total Loan Amount:** State the total loan amount made to the borrower.

- **Loan Amount Enrolled in CalCAP:** List the portion amount enrolled with CalCAP.
- **Date of First Disbursement (Date of Loan):** Input the date the loan was funded/made.
- **Maturity Date:** State the date of loan when mature.
- **Interest Rate:** State the interest rate given to loan.
- **Is Interest Rate Fixed or Variable?:** State the interest rate type if fixed or variable.
- **Loan APR (%):** Input the APR percent assigned to loan.
- **Is the loan secured? (Yes or No):** State yes or no.
- **Is this loan a restructure of a prior CalCAP loan? (Yes or No):** State yes or no.
 - If, yes, provide the CalCAP loan number.
- **Remaining balance on loan being restructured (\$):** Input the amount of remaining balance of loan being restructured.
- **Amount of increase requested (\$):** If applicable, list increase amount requested.
- **Borrower Fee (\$):** State the Borrower's fee contribution amount.
- **Borrower Percentage (%):** State the percentage of fee contribution.
- **Lender Fee (\$):** State the Lender's fee contribution amount.
- **Lender Percentage (%):** State the percentage of fee contribution.
- **Total Loan Origination Charges (\$) *This does not include Program Fees:** Input the total amount of loan origination charges.

Lender Certification Form

By signing the Certification Form the PFI certifies their adherence to the CalCAP and program rules and requirements regarding the loan and the borrower's business.

- **Borrower Name:** Name of borrower (and co-borrower(s) if applicable)
- **Lender Loan Number:** List the unique loan number associated with the borrower's loan

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

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.

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.

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 received 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 for SB 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.

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.

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.

Borrower's Agreement to Pay Lender's Fees

The Borrower's Agreement to Pay Lender's Fees is required by the PFI to provide to the borrower to review and agree upon the lender fees stated on the CalCAP for Small Business loan application. Must submit the complete filled out and signed agreement when submitting the loan application.

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 Fee Deposit (with highlighted transaction)

Provide the proof of fees that were deposited into the Small Business 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.

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

In the event a change that is a benefit to the borrower is needed in one or more of the material terms of a loan, in order for the CalCAP loan enrollment to remain valid, the participating financial institution (PFI) must submit a request to CalCAP. To request the review of a change in terms of a loan enrollment in the CalCAP for Small Business program, the PFI must submit the following documents to CalCAP **within 15 business days of the effective date of the change(s)**:

- Notification of Change in Loan Terms
- Revised Loan Enrollment Application, detailing the changed terms
- New Lender Certification
- New Borrower Certification

The type of changes which can occur are:

- Maturity date extension: the date can be extended for up to 18 months
- Interest rate change (Note: the maximum interest rate of 18% still applies)
- Borrower name change (Note: this does not include transfers between businesses)

Other changes can be considered and will be reviewed on a case-by-case basis.

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

CalCAP for Small Business Change in Terms

| Required Forms and Certifications | Submit to CalCAP | Provide to Borrower |
|---|------------------|---------------------|
| 1. CalCAP Notification of Change in Loan Terms https://www.treasurer.ca.gov/cpcf/calcap/tools/notification-loan-change.pdf | ✓ | |
| 2. Revised Small Business Loan Enrollment Application https://www.treasurer.ca.gov/cpcf/calcap/sb/enrollment.pdf | ✓ | |

| | | |
|---|---|--|
| 3. New Small Business Lender Certification (https://www.treasurer.ca.gov/cpcfca/calcap/sb/lender_cert.pdf) | ✓ | |
| 4. New Small Business Borrower Eligibility Criteria and Self-Certification (https://www.treasurer.ca.gov/cpcfca/calcap/sb/certification.pdf) | ✓ | |

The PFI must maintain a complete copy of these documents in the borrower’s loan files, in addition to all the other required items.

To complete a CalCAP Notification of Change in Loan Terms, the document must be filled out with the following information:

- Identify the CalCAP program the loan is enrolled in
- The PFI and loan information sections must be filled out and match the information on the original loan enrollment application
- Identify and detail all changes, and demonstrate that each change provides a benefit to the borrower
- Complete the authorized signer portion of the form; the authorized signer must be on the most current authorized signers list CalCAP has received from the PFI

Transfer and Sale of CalCAP Program Loan Enrollments

The Executive Director shall be authorized, with the approval of the applicable Participating Financial Institution, to assign, transfer, pledge, or create security interests in all or a portion of any Loss Reserve 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 Participating Financial Institution's loans enrolled in the Program.

Any loan enrolled in the program or portion thereof which is subsequently assigned, transferred, pledged, or securitized without the advance written approval of the Executive Director shall no longer be deemed a Qualified Loan or covered by the Loss Reserve Account.

If a Participating Financial Institution desires to assign, transfer, pledge, or securitize all or a portion of any enrolled loan or Loss Reserve Account, the Participating Financial Institution shall submit a written request to the Authority no less than thirty (30) calendar days in advance of such action, together with the list of loans and the amount of the Loss Reserve Account subject to the request, and a draft of the legal document describing the assignment, transfer, pledge, or securitization.

12. Recapture

Recapture is currently not applicable.

13. 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/cpcf/calcap/forms/claim.pdf>

14. Claim Form and Field Descriptions

Lender and Borrower Information Section

Participating Lender: Name of the participating financial institution (PFI).

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.)

Lender Contact: Name, phone number, and email address of PFI representative CalCAP can contact with questions about this claim.

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.

Title: Title of the authorized signer.

Date: Date the claim form was signed.

15. 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

Each PFI is required to submit a quarterly report to CalCAP, pursuant to CalCAP Regulation §8078.25 (f), **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 for SB are required to be retained five years after the maturity date of the loan.