The California Small Business Loan Guarantee Program

Department of Financial Institutions

Small Business Lending Fair

June 13, 2013

PCR
Pacific Coast Regional
Small Business Development Corporation

Program History

- Established 1968, under California Corporations Code Section 14000 to 14087
- Historical impetus was job creation

Program Administration

- **Administered by the State Business, Transportation and Housing Agency in partnership with the Governor's Office of Business and Economic Development (GoBiz)**

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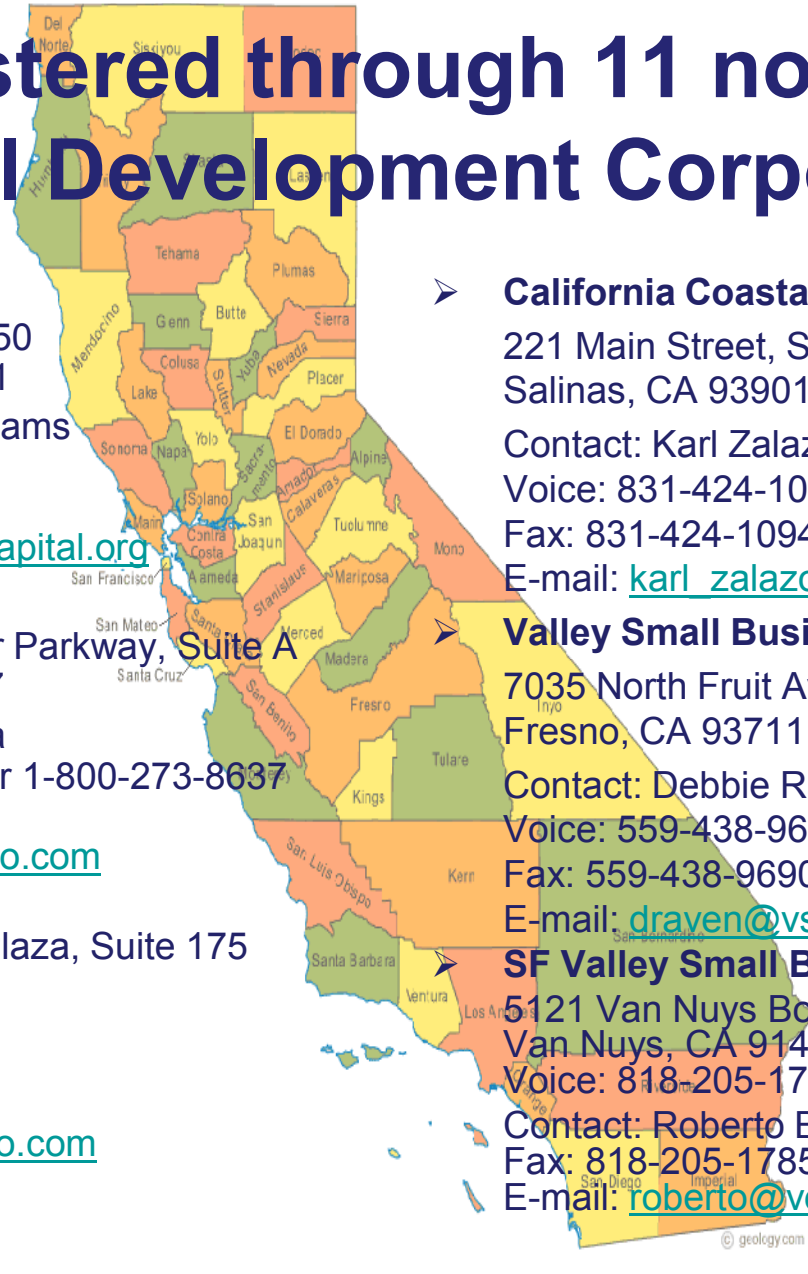
Administered through 11 non-profit Financial Development Corporations



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  Fax: 916-442-7852
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Financial Development Corporations

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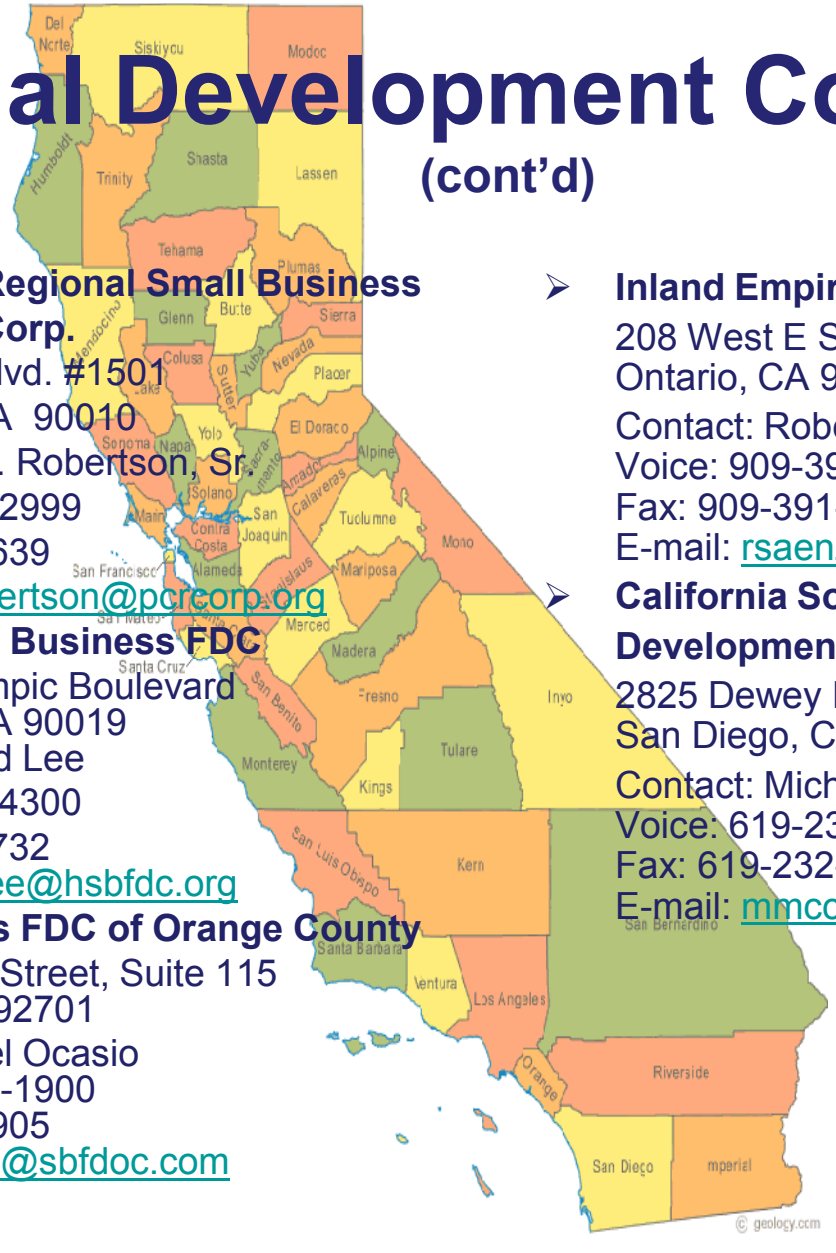

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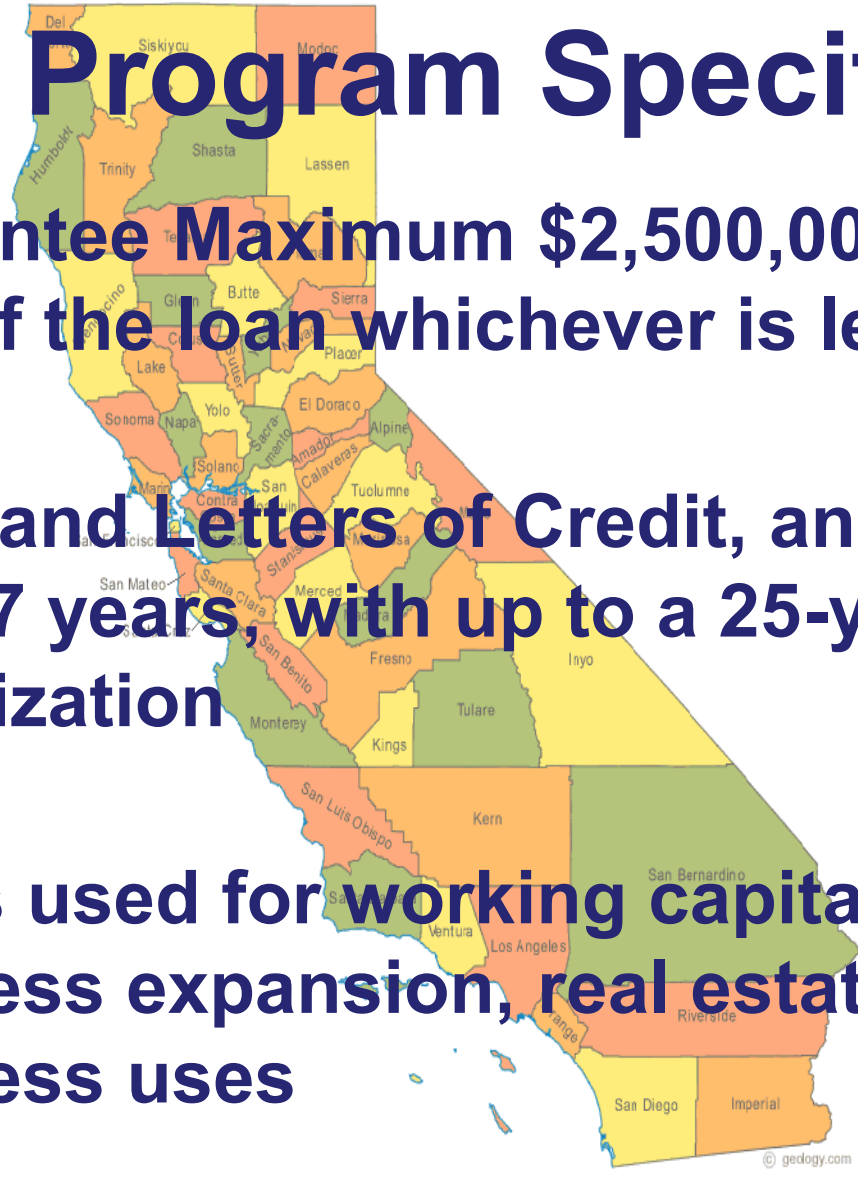
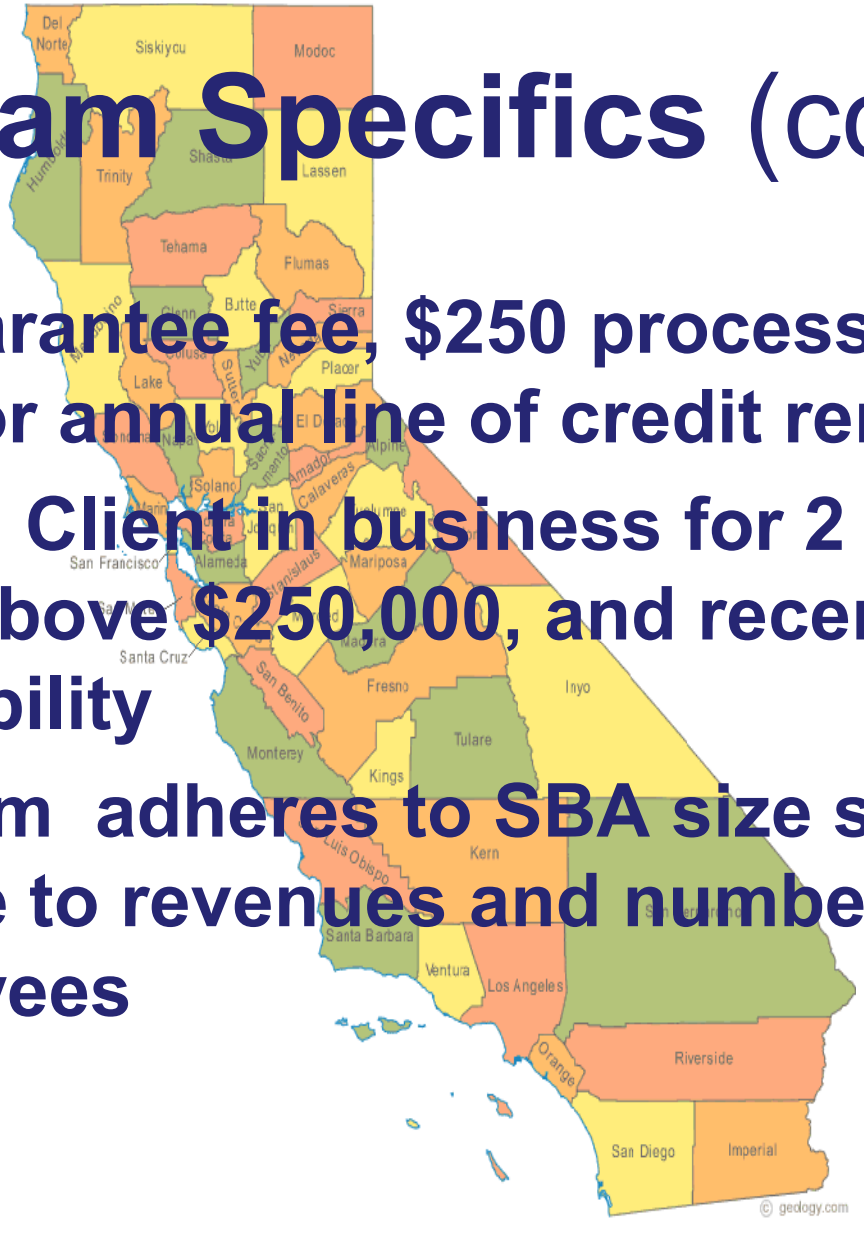
Program Specifics

- Guarantee Maximum $2,500,000, or up to 80% of the loan whichever is less
- Lines and Letters of Credit, and term Loans up to 7 years, with up to a 25-year amortization
- Funds used for working capital, equipment, business expansion, real estate, other business uses



Program Specifics (cont'd)

- 2% guarantee fee, $250 processing fee, 1.0% for annual line of credit renewals
- Typical Client in business for 2 years, with sales above $250,000, and recent profitability
- Program adheres to SBA size standards relative to revenues and number of employees

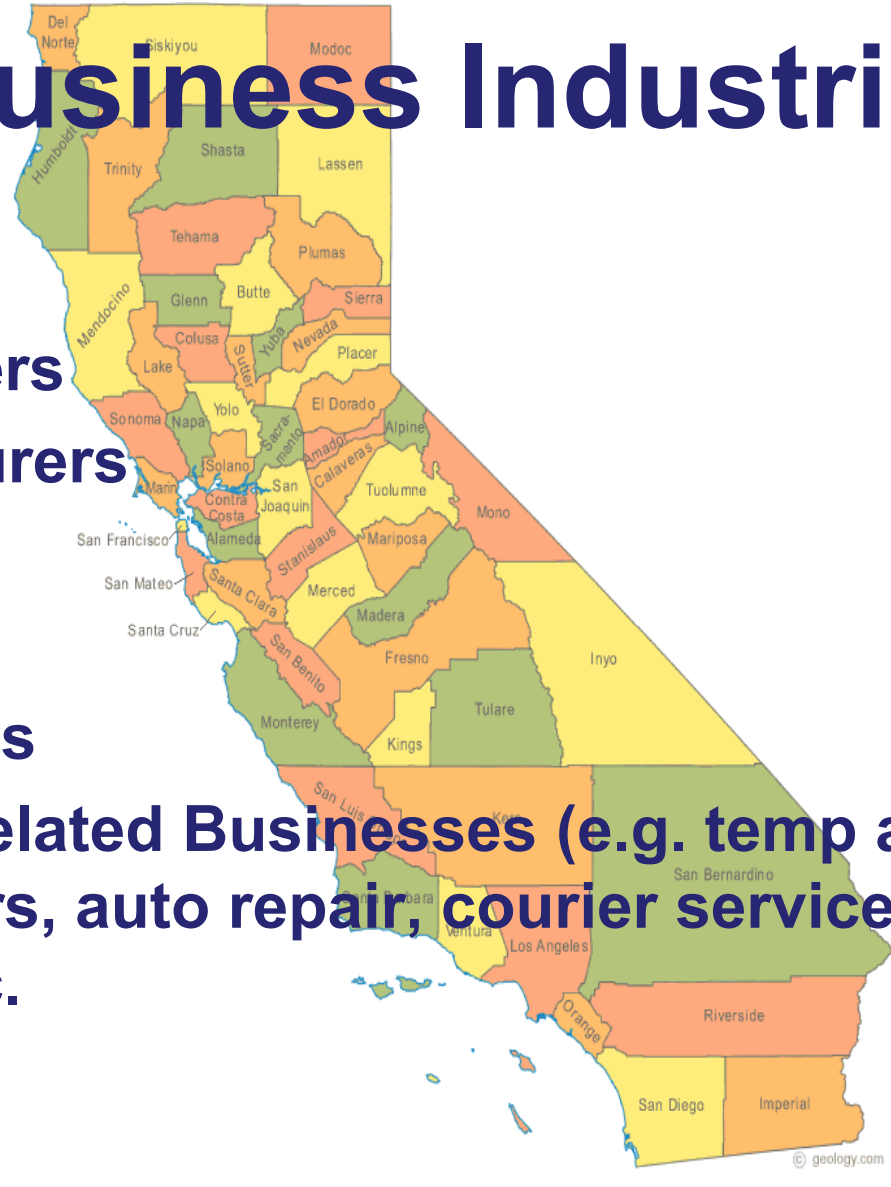


Program Specifics (cont'd)

- Credit History is satisfactory
- Collateral is the "best available"
- Personal Guarantee required from anyone owning 20%+

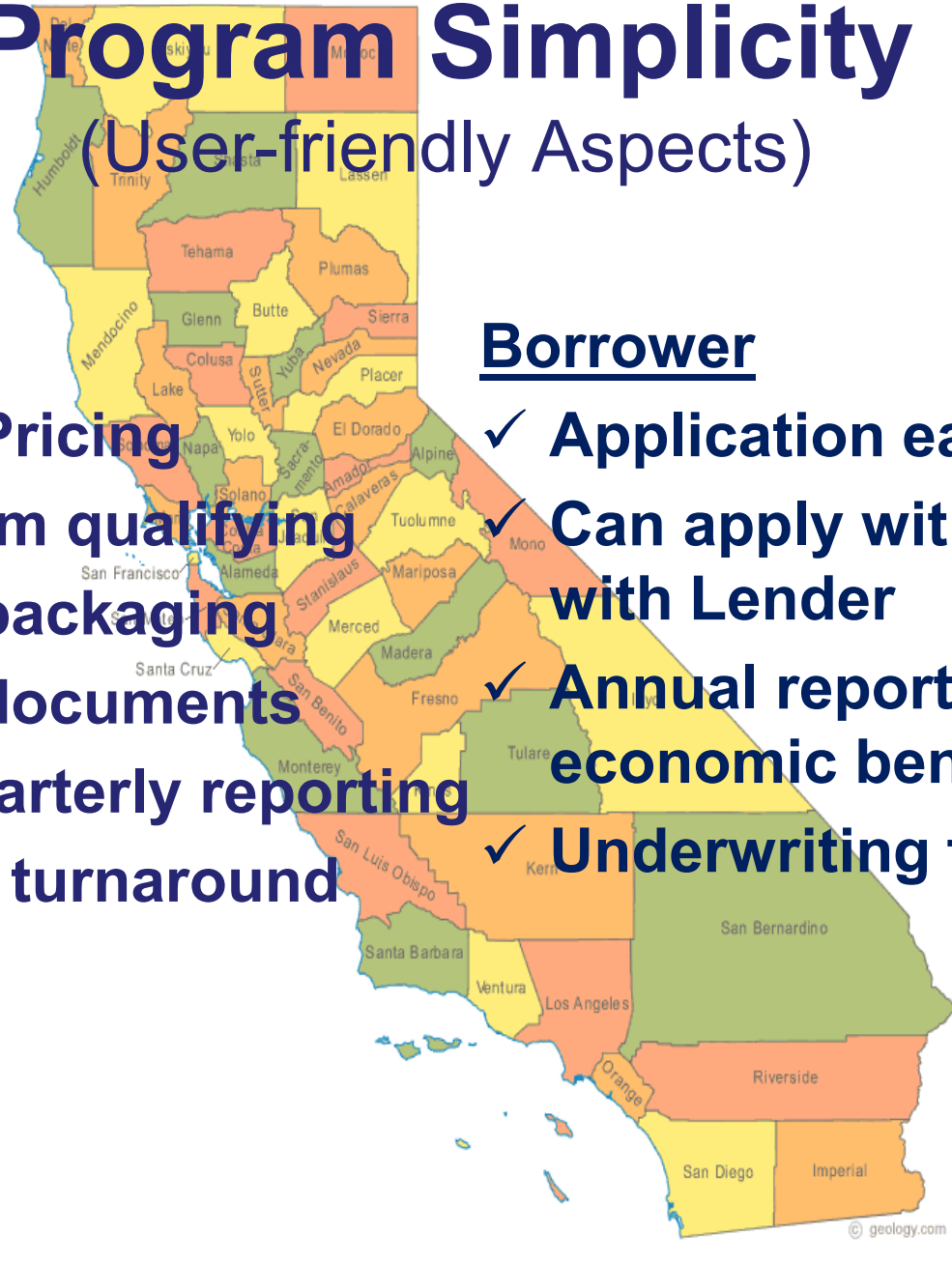
Business Industries

- Retailers
- Wholesalers
- Manufacturers
- Importers
- Exporters
- Non-Profits
- Service Related Businesses (e.g. temp agencies, contractors, auto repair, courier services, barber shops, etc.



Program Simplicity

(User-friendly Aspects)



Lender

- ✓ Lender's Pricing
- ✓ No program qualifying
- ✓ Lender's packaging
- ✓ Lender's documents
- ✓ Simple quarterly reporting
- ✓ Two-week turnaround

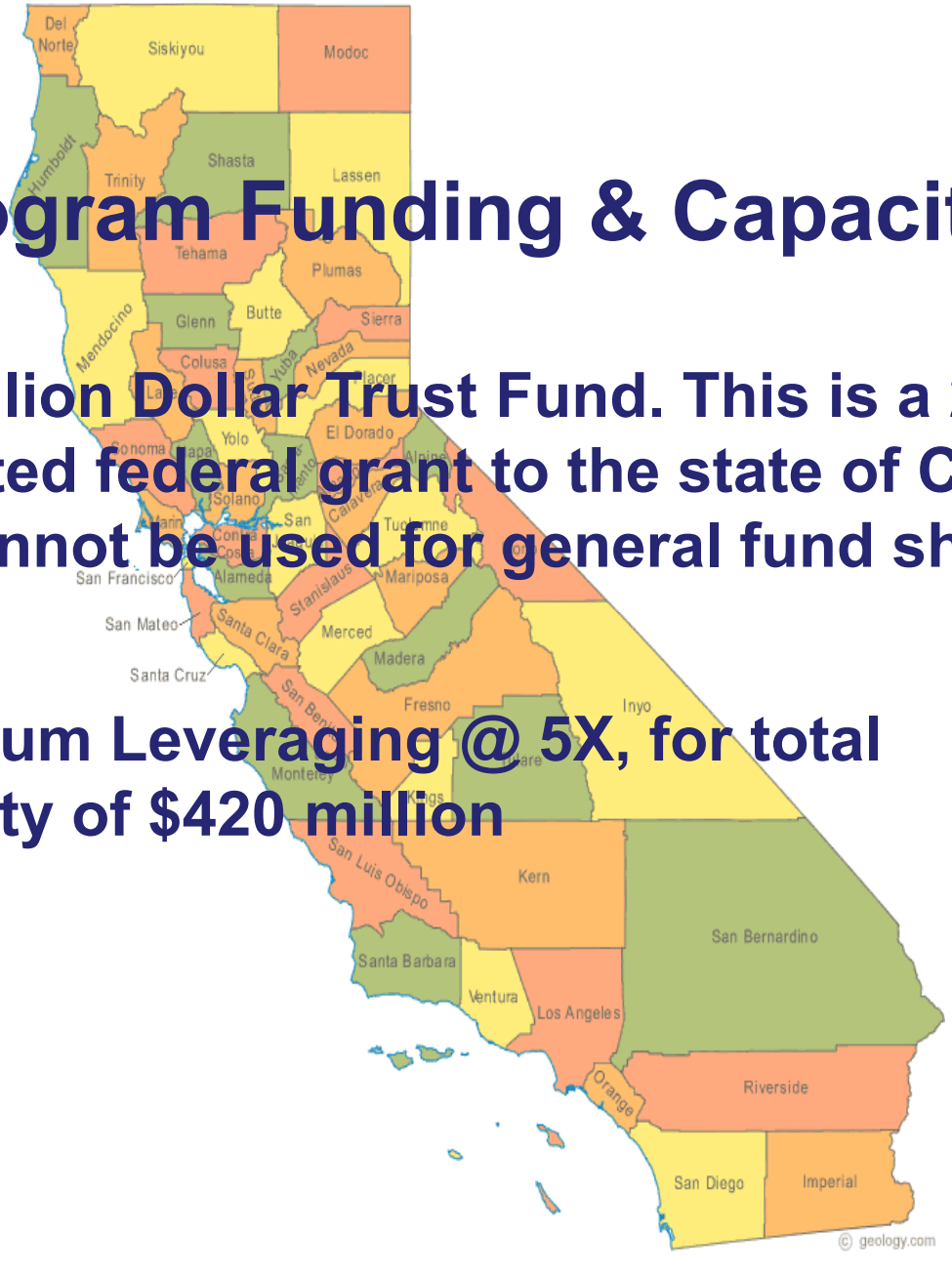
Borrower

- ✓ Application ease
- ✓ Can apply with PCR or with Lender
- ✓ Annual reporting on economic benefits
- ✓ Underwriting flexibility

Program Funding & Capacity

- $84 Million Dollar Trust Fund. This is a 2-year old restricted federal grant to the state of California, that cannot be used for general fund shortages.

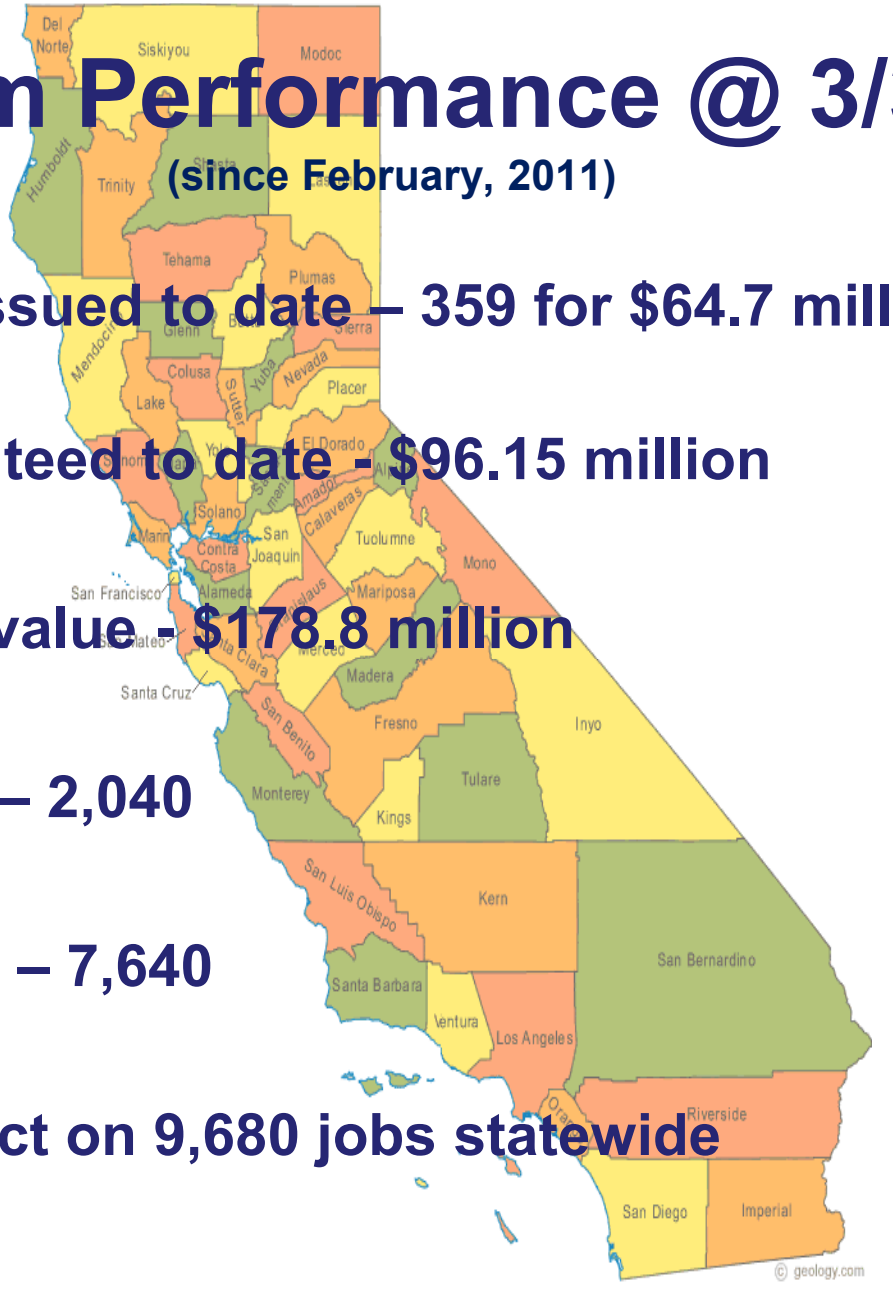
- Maximum Leveraging @ 5X, for total capacity of $420 million



Program Performance @ 3/31/13

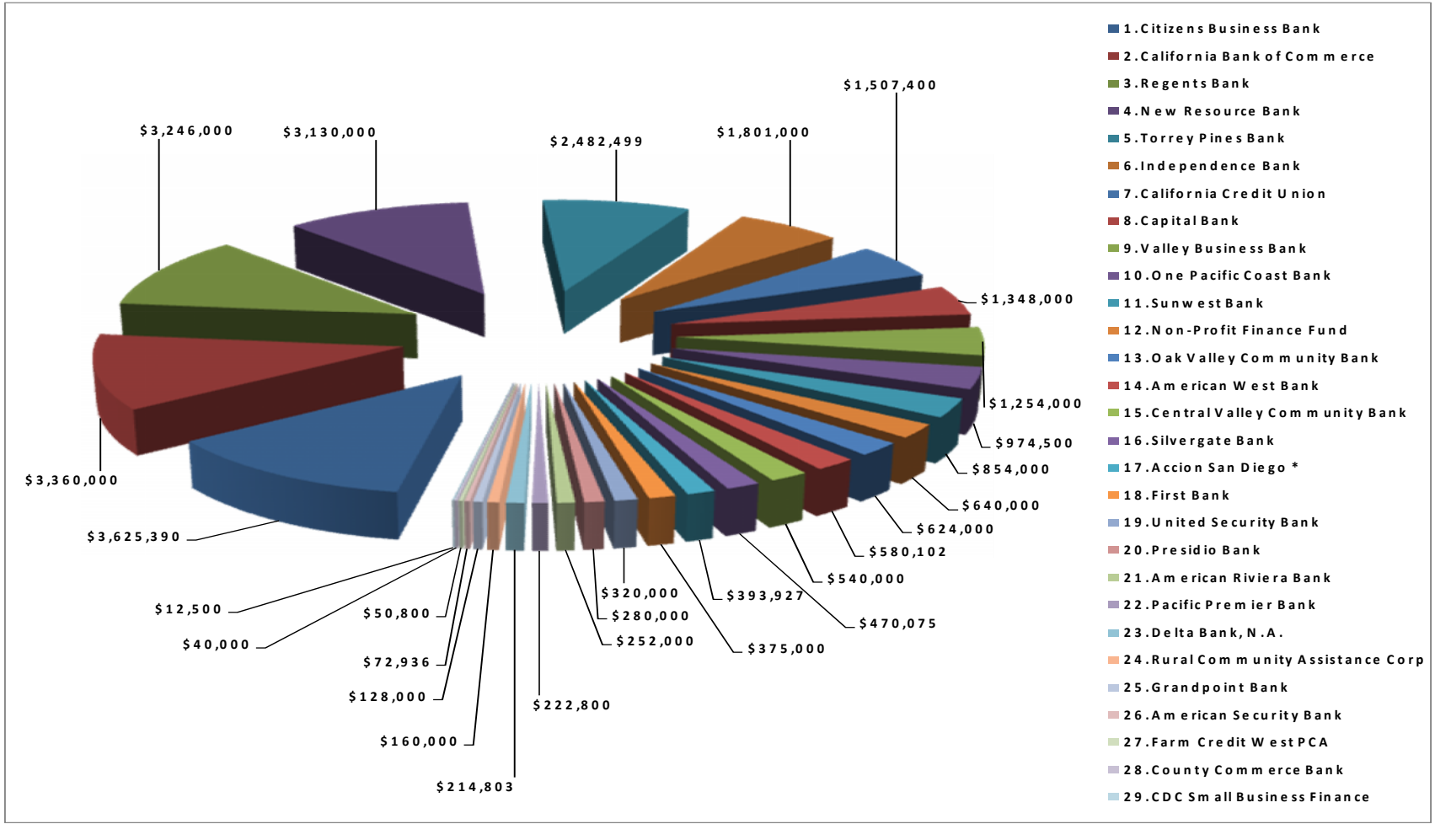
(since February, 2011)

- **Guarantees issued to date – 359 for $64.7 million**
- **Loans guaranteed to date - $96.15 million**
- **Total project value - $178.8 million**
- **Jobs created – 2,040**
- **Jobs retained – 7,640**
- **Positive impact on 9,680 jobs statewide**



Top Lenders

(Jan. 1, 2013 thru June 11, 2013)



Top Lenders (cont'd)

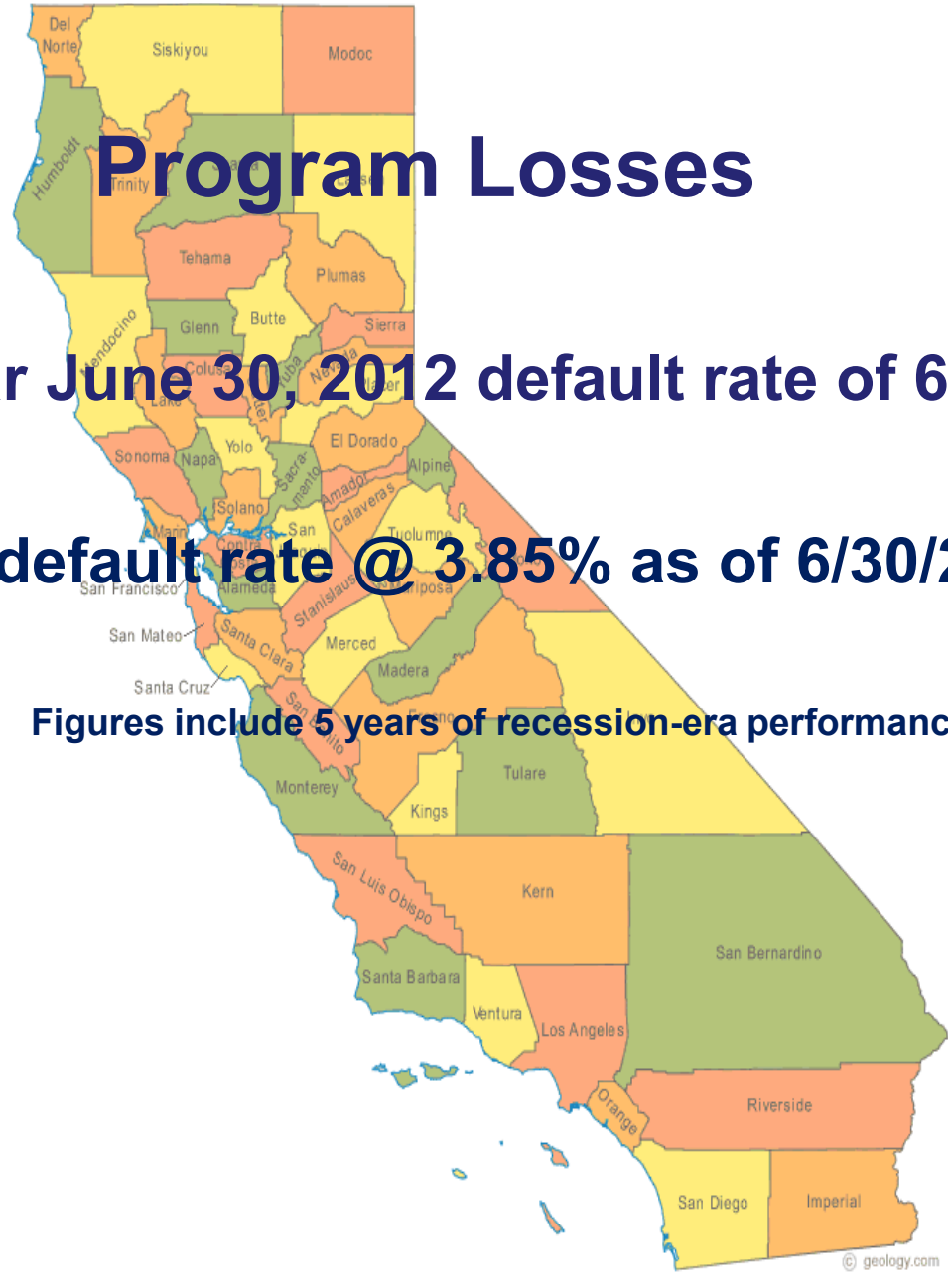
(Jan. 1, 2013 thru June 11, 2013)

1. Citizens Business Bank	$3,625,390
2. California Bank of Commerce	$3,360,000
3. Regents Bank	$3,246,000
4. New Resource Bank	$3,130,000
5. Torrey Pines Bank	$2,482,499
6. Independence Bank	$1,801,000
7. California Credit Union	$1,507,400
8. Capital Bank	$1,348,000
9. Valley Business Bank	$1,254,000
10. One Pacific Coast Bank	$974,500
11. Sunwest Bank	$854,000
12. Non-Profit Finance Fund	$640,000
13. Oak Valley Community Bank	$624,000
14. American West Bank	$580,102
15. Central Valley Community Bank	$540,000
16. Silvergate Bank	$470,075
17. Accion San Diego *	$393,927
18. First Bank	$375,000
19. United Security Bank	$320,000
20. Presidio Bank	$280,000
21. American Riviera Bank	$252,000
22. Pacific Premier Bank	$222,800
23. Delta Bank, N.A.	$214,803
24. Rural Community Assistance Corp	$160,000
25. Grandpoint Bank	$128,000
26. American Security Bank	$72,936
27. Farm Credit West PCA	$50,800
28. County Commerce Bank	$40,000
29. CDC Small Business Finance	$12,500

Program Losses

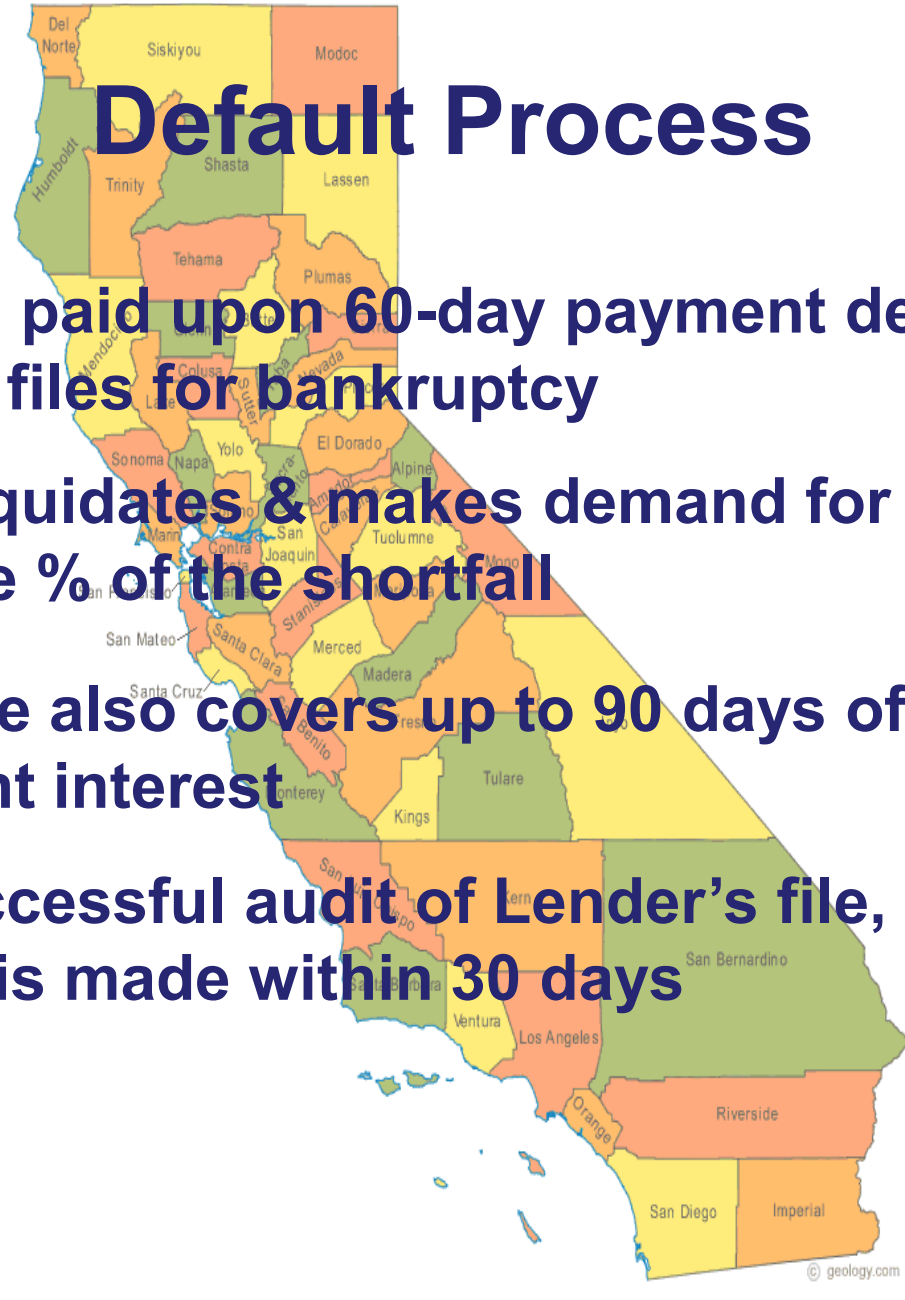
- Fiscal year June 30, 2012 default rate of 6.74%
- Five year default rate @ 3.85% as of 6/30/2012

Figures include 5 years of recession-era performance.



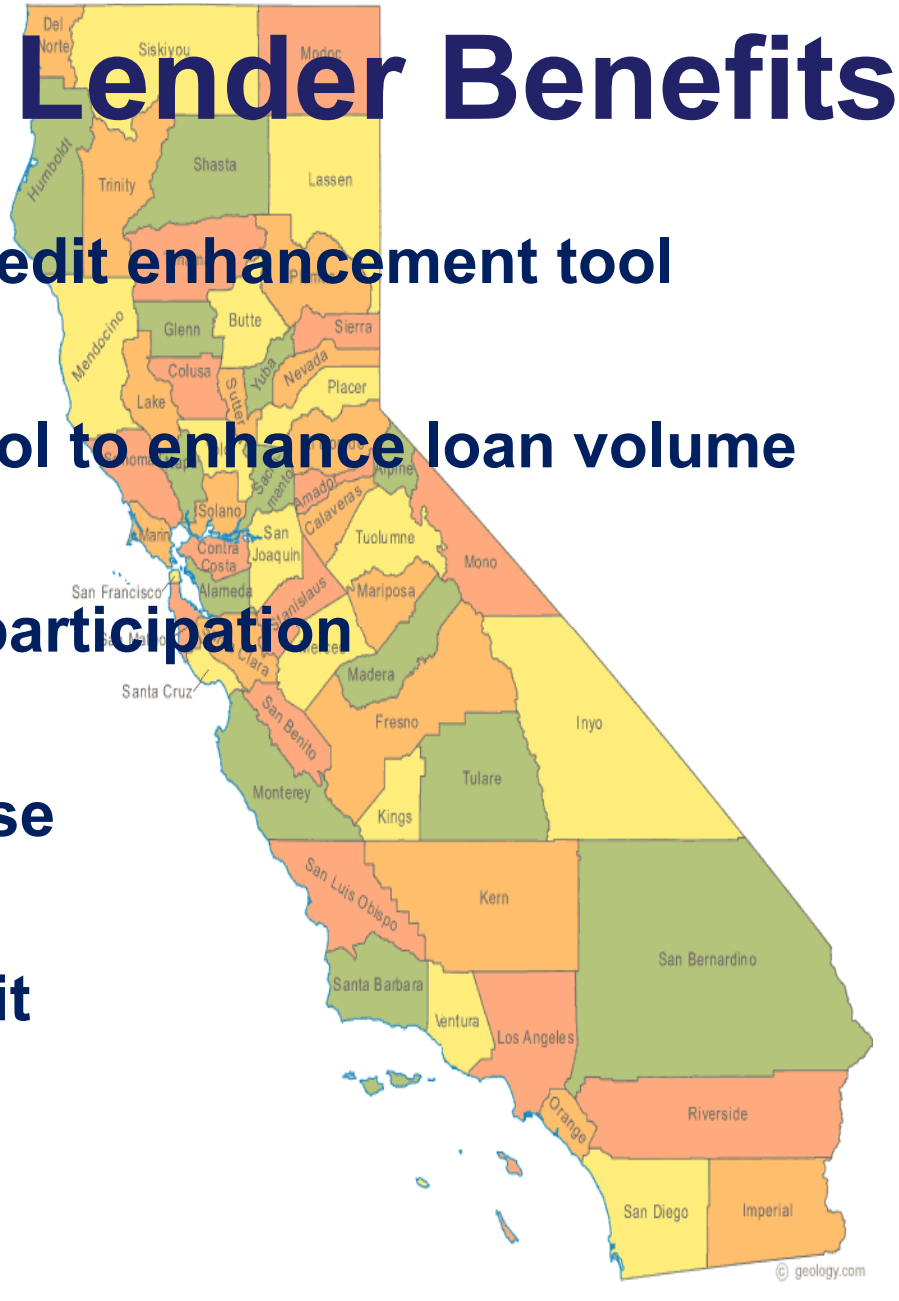
Default Process

- Demands paid upon 60-day payment defaults, or borrower files for bankruptcy
- Lender liquidates & makes demand for the guarantee % of the shortfall
- Guarantee also covers up to 90 days of delinquent interest
- Upon successful audit of Lender's file, payment is made within 30 days



Lender Pitfalls

- Non-adherence to guarantee conditions
- Non-reporting
- Lack of monitoring
- Result could be a reduction or denial of demand

Lender Benefits

- Proven credit enhancement tool
- Proven tool to enhance loan volume
- Informal participation
- Ease of use
- CRA credit