



SB 551 (Hueso)

Capital Access Loan Program for Small Business

Small Businesses Need Capital to Grow and Thrive

Small businesses are the engines of our state economy, employing 90% of the state's private sector workers – but far too many can't access the capital they need to grow and create jobs. These barriers are even greater for minority, rural and women-owned business. Public dollars are critical for helping responsible financial institutions bring needed capital to small businesses.

Proven Impact, Powerful Leverage

Created in 1994, CalCAP is a nationally-recognized loan portfolio insurance program that **has helped support over 16,000 loans to our state's small businesses**. Administered by the California Pollution Control Financing Authority (CPCFA), CalCAP provides tremendous leverage on state funds: each dollar contributed by the state yields as much as \$30 in loans to underserved businesses.

CalCAP Program Details

Both nonprofit and private financial institutions can apply to become CalCAP lenders. The lender and the state both contribute a small and equal portion of funds¹ for every small business loan they wish to cover, which are then pooled in a lender's loan loss reserve account. In the event a loan defaults, a lender can then access funds in that account to help cover those losses. **This enables CalCAP lenders to provide capital to thousands of hard-working business owners** who otherwise would be turned down for needed financing.

Improving a Successful Program

Robust, ongoing participation from responsible small business lenders is integral to CalCAP's success. SB 551(Hueso) seeks to increase the sustainability and transparency of the CalCAP program to ensure strong lender participation. Specific reforms within SB 551(Hueso):

- Lower required match: Reduce the minimum amount lenders and the state can contribute on each covered loan from 2% to 1%, thus ensuring public funds go further, helping more businesses thrive.
- Flexibility: Allow lenders to continue covering new loans even at times when the state does not have new funds to contribute, keeping capital flowing to our state's small businesses.
- Transparency: Clarify procedures for returning contributions if lenders exit program, in order to maintain lender trust and participation in CalCAP for the long term.

These changes will allow lenders to provide continued access to capital for California's small businesses.

¹ Currently lenders contribute a minimum of 2% and maximum of 3.5% of each loan amount into the account, and the state matches those contributions. In cases where the loan is made to a business located in an economically distressed community, the state contribution is higher (California Health and Safety Code 44559.4).