



IBANK SMALL BUSINESS FINANCE CENTER

ANNUAL REPORT

FISCAL YEAR
2019 - 2020



California Infrastructure and
Economic Development Bank



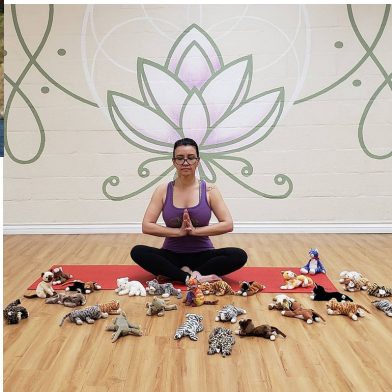
CALIFORNIA INFRASTRUCTURE AND
ECONOMIC DEVELOPMENT BANK

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IBank's Small Business Finance Center
Supporting communities throughout California
by providing loans, loan guarantees and more.

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OUR YEAR

Providing COVID-19 Disaster Relief Loan Guarantees to Support Small Businesses

Since the late 1960s, there has been a program to support small businesses to start, grow and thrive in communities throughout the state of California. The Small Business Loan Guarantee Program (SBLGP) helps reduce the barriers to capital for many small businesses that might not otherwise have access to vital dollars to start or expand their version of the “California Dream.” This program moved over to the newly created Small Business Finance Center (SBFC) inside the California Infrastructure and Economic Development Bank (IBank) in 2013 and has been a vital resource for thousands of small business owners.

One of the benefits of the SBLGP is that when small businesses open or expand, jobs are created in California. During Fiscal Year 2019-2020, however, the goal of the SBFC was to help minimize the massive job losses and business closures in the small business community due to the economic impact of the COVID-19 pandemic.

Almost overnight, the critical need for small businesses was just to help the owners keep their businesses solvent. Within weeks of the state shutting down to help slow the spread of the virus, Governor Newsom and the Legislature approved \$50,000,000 to support our Disaster Relief Small Business Loan Guarantee Program. This vital credit enhancement guarantees a lender will be repaid up to 95% of the loan should the borrower default.

Our SBFC team worked tirelessly with partner lenders throughout the state to get a new initiative, the COVID-19 Disaster Relief Program, up and running as quickly as possible, ensuring capital could flow more swiftly to businesses seeking relief and those that were locked out or denied federal and other sources of support funding.

Small businesses are scrambling to make creative changes that will allow them to safely serve California as we strive to define what the “new normal” will look like in the future. The SBFC is here to help businesses not only survive, but eventually thrive in the new economic landscape that is placing greater demands on the availability of lending dollars.

The SBFC guaranteed 470 loans in FY 19-20, resulting in \$165 million in loan guarantees that supported \$240 million in small business loans.

This guarantee activity contributed \$303 million of overall capital injected into the state’s small business community. Small business owners reported 15,403 jobs created or retained because of these loan guarantees. These figures hardly reflect the great need that will surely follow in the upcoming fiscal year because of the pandemic. But the SBFC is here to help serve California and its small business owners as we forge a positive path forward.



Emily Burgos,
Small Business
Finance Center
Manager

SBFC HISTORY

Small Business Support Since 1968



A humble beginning...

Originally known as the Small Business Loan Guarantee Program (SBLGP), the SBFC received seed money in 1968 in an effort to reduce unemployment by supporting entrepreneurship and small businesses. The Finance Center promotes statewide economic development by increasing opportunities for entrepreneurs, the self-employed, microbusiness and small business owners to have better access to capital and other technical resources. The SBFC provides credit enhancement in the form of loan guarantees (for both regular operations and disaster recovery, and historically for surety bonds), direct loans to farmers, direct loans to low-wealth entrepreneurs in low-wealth communities and technical assistance. Because of the Finance Center programs, small businesses are able to secure financing that allows growth and expansion of their business.

An influx of federal dollars...

In April of 2011, the State of California was awarded an allocation of \$168 million in federal funds from the U.S. Treasury under the State Small Business Credit Initiative (SSBCI), a component of President Obama's Small Business Jobs Act of 2010. California received more SSBCI funds than any other state or territory. The allocation was split between two state agencies, The State Treasurer's Office for its California Capital Access Program (CalCAP) and Business Transportation and Housing (BTH) for the SBLGP. Each agency received half or about \$84 million in three disbursements between 2011 and 2015.

The Finance Center has had many homes through the decades, including Employment Development Department, Department of Economic and Business Development, Department of Technology, Trade and Commerce, and Business, Transportation, and Housing. Through Governor Brown's Reorganization Plan, the program transferred to the Governor's Office of Business and Economic Development. The Small Business Financial Assistance Act of 2013 placed the SBLGP under IBank and renamed it the Small Business Finance Center to accurately represent its many functions.

To learn more about IBank's other programs, please review the IBank Annual Report here: www.IBank.ca.gov

FDC PARTNERSHIPS

IBank Partners with Financial Development Corporations Throughout California

Financial Development Corporations (FDCs) were created by statute (Statutes of 2013, Chapter 537) in the California Corporations Code to aid the SBFC in the administration of its programs throughout the state, together removing barriers to access capital. Historically, as many as eleven FDCs had contracts with the State of California. After assessing the effectiveness of the services provided by each FDC, IBank offered contracts to seven for FY 19-20. Per the statute, each FDC is a nonprofit corporation with general responsibilities for marketing and administering SBFC programs. As mission-based organizations, the FDCs aim to support small business and stimulate economic growth in underserved communities. The FDCs are strategically located throughout the state with satellite offices that reach even further.



California Capital Financial Development Corporation
 Founded: 1982
 Locations: Sacramento, Stockton, Yuba City



California Coastal Rural Development Corporation
 Founded: 1981
 Locations: Salinas, Santa Maria, Santa Barbara



California Southern Small Business Development Corporation
 Founded: 1989
 Location: San Diego



Nor-Cal Financial Development Corporation
 Founded: 1978
 Location: Oakland



Pacific Coast Regional Small Business Development Corporation
 Founded: 1977
 Locations: Los Angeles, Compton



Small Business Development Corporation of Orange County
 Founded: 2001
 Locations: Santa Ana, Redlands



Valley Small Business Development Corporation
 Founded: 1981
 Location: Fresno (mobile office covers Central San Joaquin Valley)

LENDING LEADERS

**IBank Partners with Lenders Who Serve California
Through Multiple Support Programs**

1,230 YEARS

Lending Expertise Provided by FDC Staff to Small
Business Owners

Collectively, the FDCs have more than 1,230 years of lending expertise on staff and more than 522 years serving the SBFC directly. While each FDC is unique, as a group they: utilize a combination of federal, state, local and private resources; are highly rated by their partners; and provide non-conventional, community-development financing in low- to moderate- income areas including agricultural loans to small tenant farmers in substantially rural areas. Not only are the FDCs experts in their field, many of them are also lenders, and administer other programs for governmental and financial partners including:

Certifications and Designations

- Community Development Financial Institution – certified by U.S. Treasury
- Community Development Financial Institution – certified by California Organized Investment Network (COIN)
- Women's Business Center
- Procurement Technical Assistance Center (PTAC)
- Community Development Entity – certified by U.S. Treasury
- Promise Zone – lead economic development implementation partner
- Small Business Development Center

Loan, Grant and Technical Assistance Programs

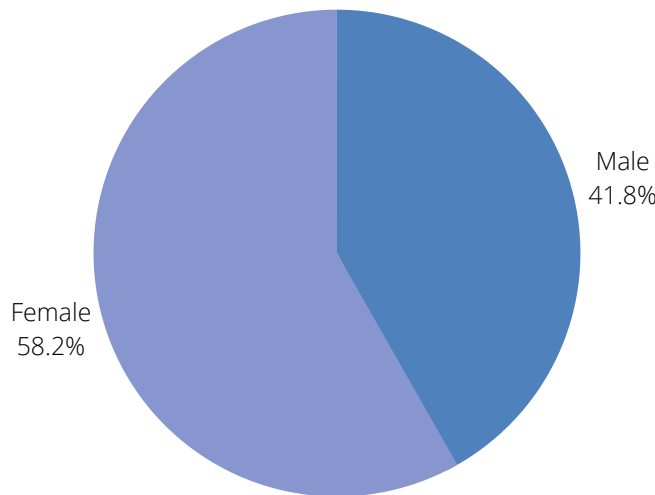
- U.S. Department of Commerce Economic Development Administration (EDA) Revolving Loan Fund – for small business lending
- U.S. Department of Commerce Economic Development Administration (EDA) Revolving Loan Fund – for disaster recovery and mitigation
- U.S. Small Business Administration (SBA) Community Advantage (7a) Loan Program
- U.S. Small Business Administration (SBA) Micro Loan Program
- U.S. Small Business Administration (SBA) 504 Loan Program
- U.S. Department of Agriculture (USDA) Intermediary Relending Program
- U.S. Department of Agriculture (USDA) Farm Service Agency (FSA) Loan Guarantee Program
- U.S. Department of Agriculture (USDA) Rural Microenterprise Assistance Programs
- Community Reinvestment Micro Loans – with grants from financial partners
- Entrepreneur Loan Fund Micro Loan Program – in partnership with a financial institution
- State Water Resources Control Board Repair and Removal of Underground Storage Tank (RUST) Loan Program
- Metro Business Interruption Fund – in partnership with the Los Angeles Metropolitan Transportation Authority
- Various technical assistance programs with funding from financial institutions and local partners
- Various revolving loan funds with funding from financial institutions and local partners

LENDING LEADERS

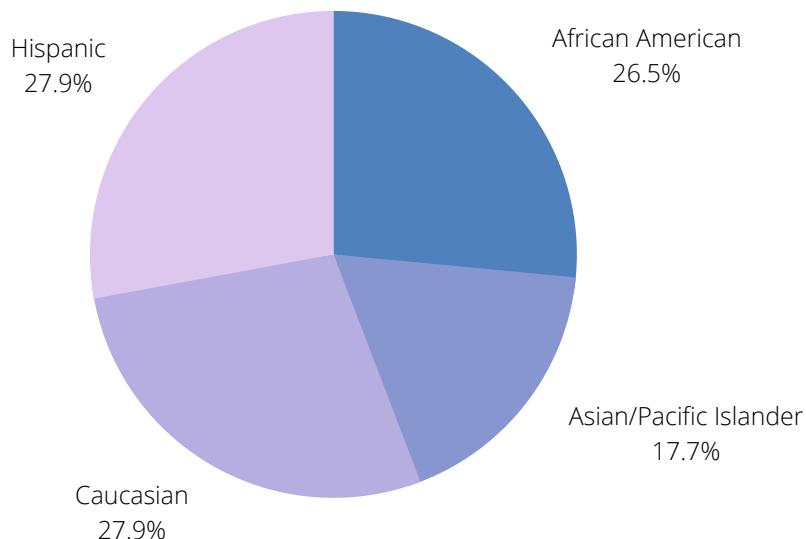
IBank Partners with Lending Leaders Who Best Represent Communities Across California

Beyond facilitating loan programs and technical assistance, FDCs leverage local and statewide partnerships to ensure small businesses have access to the resources they need. FDC staff members also are active participants in their communities and in economic development. They speak a wide variety of languages and many are small business owners themselves. They donate their time to leadership positions on boards, loan committees, and audit committees for local chambers, community organizations and economic development groups. Staff members come from a wide range of backgrounds and are representative of the communities where they are located.

Gender of FDC Staff Members Serving Small Businesses



Ethnicity of FDC Staff Members Serving Small Businesses



FISCAL YEAR RESULTS

Small Business Loan Guarantee Program

Removing barriers to capital by incentivizing lenders to support small businesses.

The Small Business Loan Guarantee Program (SBLGP) incentivizes lenders to make loans to small businesses by offering guarantees up to 80% of eligible loan amounts. The loans can be up to \$20,000,000, with a maximum guarantee of \$1,000,000. In the event of a default, the lender liquidates the collateral, and then files a claim for the percentage in the guarantee agreement for the remaining balance of the loan. This process allows lenders to mitigate risk when making small business loans, thereby stimulating the economy with a combination of public/private funds. As a result, participating small businesses are able to secure financing for growth and expansion of their business.

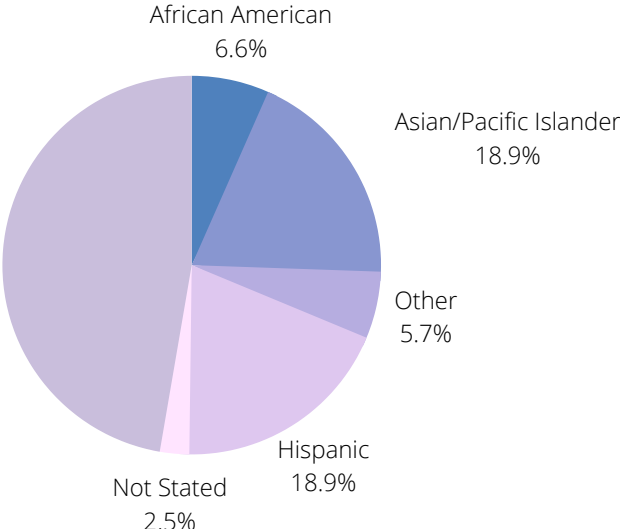
\$165 MILLION

IBank's SBFC Approved 470 Loan Guarantees for \$165 million in Loans, Contributing to \$303 million in Overall Capital Injected into the Small Business Community.

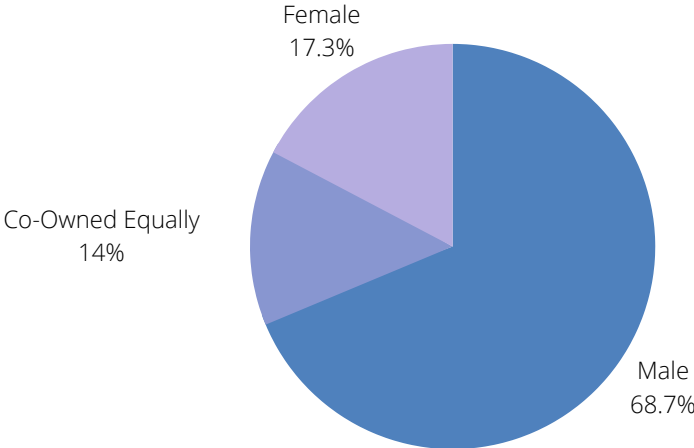
Number of Guaranteed Loans

In FY 19-20, 470 loans were made resulting in \$165 million of loan guarantees supporting \$240 million in small business loans. This guarantee activity contributed to \$303 million of overall capital injected into the state's small business community. The small business owners reported 15,403 jobs created or retained because of these loan guarantees.

Ethnicity of Loan Guarantee Recipients



Gender of Loan Guarantee Recipients



SBLGP

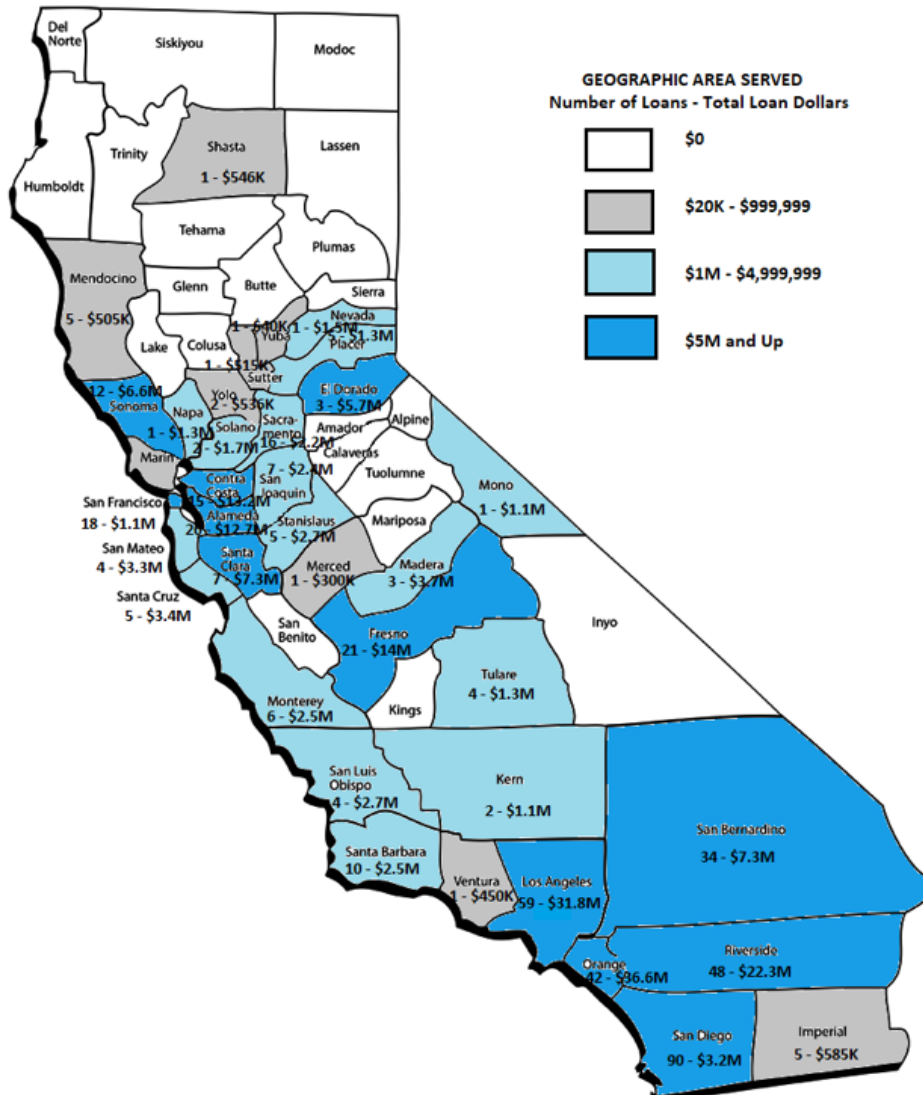
Small Business Loan Guarantee Program Loss Experience and Geographic Distribution

Loan Guarantee Loss Experience: Federal and State Funded Programs

For Fiscal Year 2019-2020, the SBLGP paid 42 claims amounting to \$5,160,420. The losses were 5.6% of the reserve account and only 0.69% of the \$745,792,670 loan outstanding principal.

Number of Guarantee Payments	Default Payments	Default Recoveries	30-Jun-20 Guarantee Reserve	Net Loss Rate on Reserve	30-Jun-20 Outstanding Loan Principal	Net Loss Rate on Loan Principal
42	\$5,160,420	\$180,893	\$92,950,399	5.6%	\$745,792,670	0.69%

Map of Geographic Distribution of Loan Guarantee Activity for FY 19-20



SBLGP

**Small Business Loan Guarantee Program
Partner Production**

SBLGP Production by FDC

FDC Name	Loan Amount	Initial Guarantee Liability	Total Financial Package	Jobs Created / Retained
California Capital	\$9,509,485	\$7,043,477	\$10,209,485	977
California Coastal	\$5,706,500	\$4,565,200	\$5,706,500	448
California Southern	\$50,412,638	\$36,984,113	\$81,717,682	3,310
Nor Cal	\$90,376,936	\$59,558,827	\$102,662,123	4,933
Orange County	\$54,216,000	\$34,922,200	\$69,453,633	4,613
Pacific Coast Valley	\$15,180,280	\$10,941,824	\$17,999,255	591
	\$14,167,070	\$11,037,655	\$14,842,070	531
Totals	\$239,568,910	\$165,053,297	\$302,590,749	15,403

Financial Institution Users of SBLGP: California's Top Lenders by Number of Loans

Order	Lender	# of Loans
1	Accion	65
2	CDC Small Business Finance	34
3	Pacific Community Ventures	30
4	Bankers Small Business CDC	26
5	Pacific Enterprise Bank	19
6	American Business Bank	17
7	Bank of San Francisco	17
8	Poppy Bank	16
9	Citizens Business Bank	15
10	Farmers & Merchants Bank	15

SBLGP

**Small Business Loan Guarantee Program
Partner Production**

Financial Institution Users of SBLGP: California's Top Lenders by Dollars Loaned

Order	Lender	Dollars Loaned
1	American Business Bank	\$17,967,800
2	United Business Bank	\$13,430,000
3	Endeavor Bank	\$12,368,681
4	Bank of San Francisco	\$12,195,000
5	Pacific Premier Bank	\$11,420,000
6	Infinity Bank	\$10,031,100
7	Sunwest Bank	\$9,948,000
8	City National Bank	\$9,355,000
9	Citizens Business Bank	\$8,810,770
10	First Northern Bank of Dixon	\$7,748,109



FISCAL YEAR RESULTS

COVID-19 Disaster Relief Loan Guarantee Program

Assisting small businesses affected by the COVID-19 pandemic.

One of the IBank Small Business Finance Center’s loan guarantee programs is designed for disaster relief. The Disaster Relief Loan Guarantee Program (DRLGP) is currently targeting small businesses needing assistance to overcome economic injury caused by COVID-19 with a \$50 million allocation received in April.

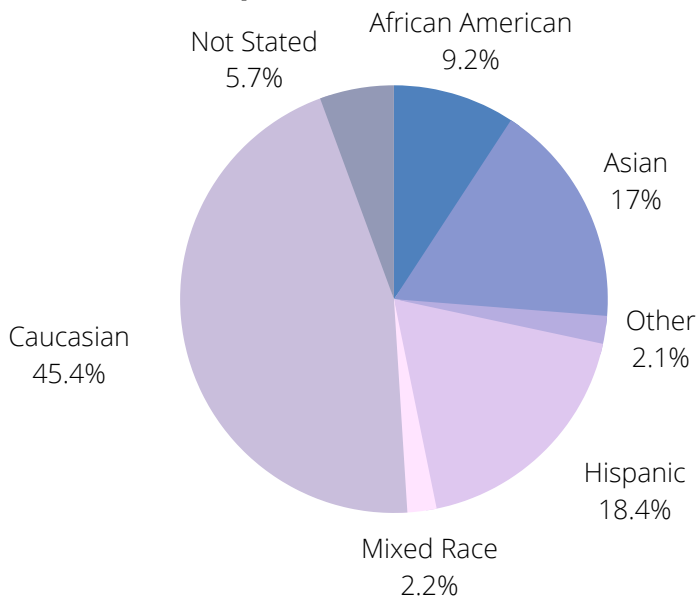
These loan guarantees helped mitigate barriers to capital for those small businesses that did not qualify for federal disaster funds, including businesses in low-wealth and immigrant communities. The funds helped small businesses through this challenging time. Loan proceeds must be used for business continuance and to cure “significant economic injury” as a result of the COVID-19 pandemic.

Disaster loans can be guaranteed up to 7 years and cover up to 95% of the loan or \$1 million, whichever is less. While the maximum loan amount is \$1.25 million, the COVID-19 loan guarantees targeted micro loans under \$50,000. The interest rates were negotiated between the lender and the borrower.

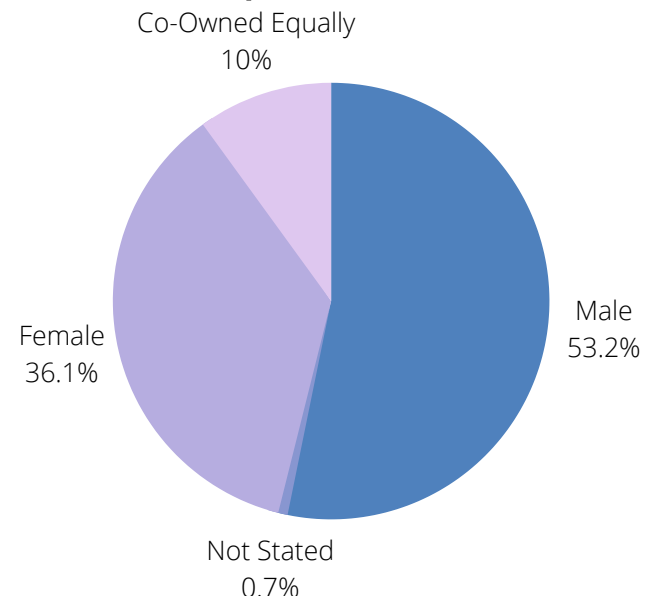
Number of COVID-19 Disaster Relief Guaranteed Loans

From April to June of FY 19-20, with a \$50 million allocation from the Governor of California to the COVID-19 Disaster Relief Loan Guarantee program, 141 disaster guarantees were conditionally approved, resulting in more than \$5.2 million in disaster loan guarantees that supported more than \$5.6 million in small business loans. Small business owners reported 842 jobs retained because of these loan guarantees.

Ethnicity of COVID-19 Disaster Relief Loan Guarantee Recipients



Gender of COVID-19 Disaster Relief Loan Guarantee Recipients



FISCAL YEAR RESULTS

COVID-19 Disaster Relief Loan Guarantee Program

Assisting small businesses negatively affected by the COVID-19 pandemic.

79%

COVID-19 Disaster Relief Loan Guarantees to Target Borrowers: Female or Minority-Owned Businesses or Located in Low/Moderate Income Census Tract.



FISCAL YEAR RESULTS

Traditional Disaster Relief Loan Guarantee Program

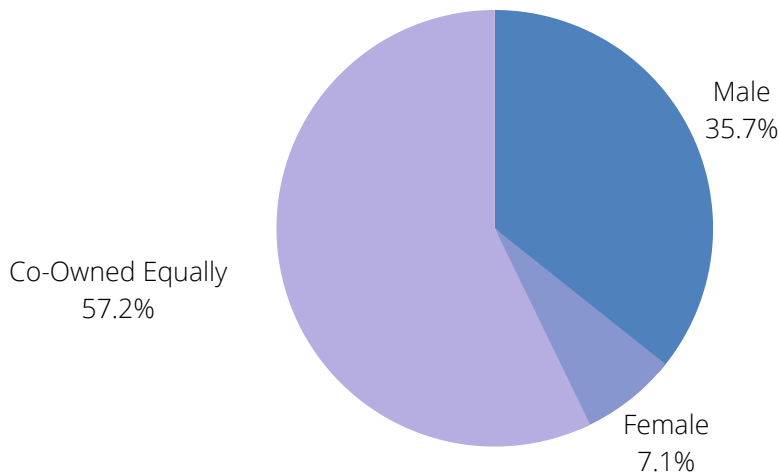
Assisting small businesses negatively affected by officially declared disaster events.

In Fiscal Year 2019-2020, the SBFC guaranteed 14 traditional disaster loans, resulting in more than \$3.5 million in disaster loan guarantees that supported \$3.8 million in small business loans. Small business owners reported 387 jobs retained because of these loan guarantees.

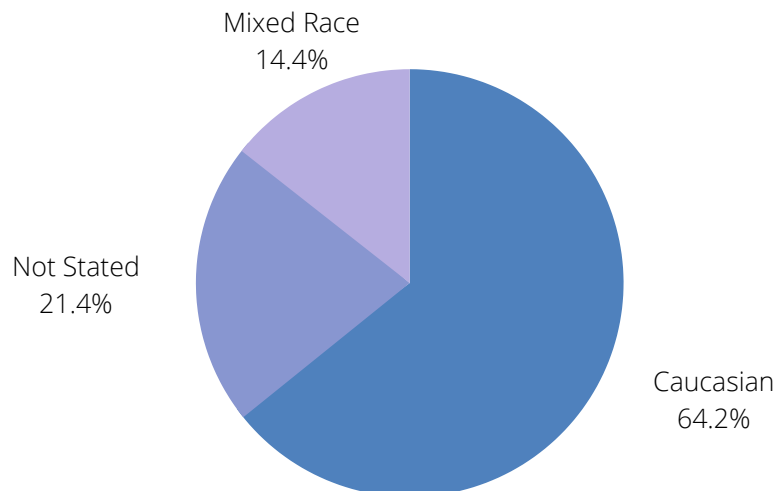
14 LOANS, 387 JOBS SAVED

IBank's SBFC Guaranteed 14 loans for \$3.8 million in Traditional Disaster Loans, Helping Retain 387 Jobs in the Small Business Community.

Gender of Traditional Disaster Guarantee Recipients



Ethnicity of Traditional Disaster Guarantee Recipients



FISCAL YEAR RESULTS

Farm Loan Direct Loan Program

Farm Loan Lending Supports Small Farms Throughout California

The Farm Loan Program supports direct loans to small farms in California through participating Corporations that are also approved lenders of the U.S. Department of Agriculture, Farm Services Agency (FSA) that guarantees up to 90% of those loans.

Historically, three FDCs have requested and have been approved to use the Farm Loan Program.

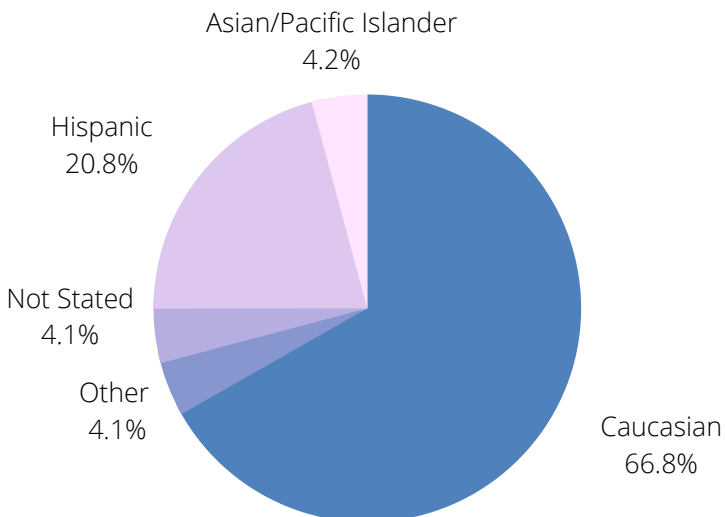
One of the FDCs in FY 19-20 utilized the Farm Loan Program.

FDC Name	Number of New Direct Loans	Amount of New Direct Loans	Number of Jobs Created or Retained
Valley	8	\$2,032,000	144

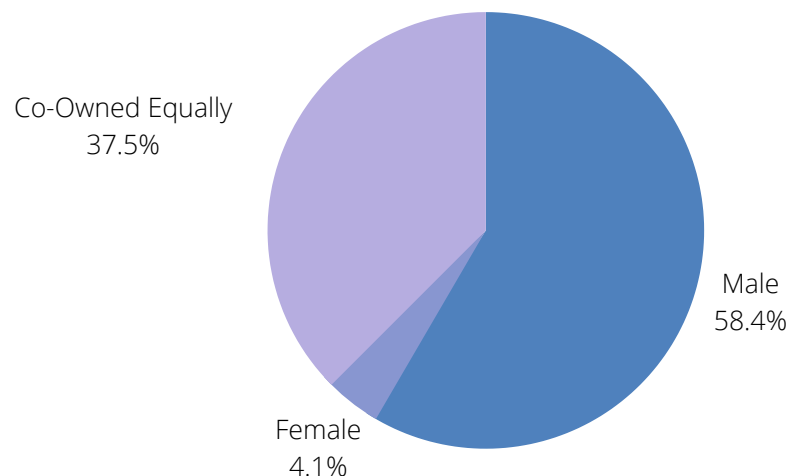
Total Outstanding Disbursements*	Total Outstanding Balance in the Trust Fund	Number of Defaults
\$2,311,697	\$3,863,839	0

*outstanding disbursements are those amounts obligated, and not yet disbursed, of all open farm loans.

Ethnicity of Farm Loan Recipients



Gender of Farm Loan Recipients



FISCAL YEAR RESULTS

Jump Start Direct Loan Program

Micro loans and technical assistance targeting low-wealth entrepreneurs.

On September 27, 2016, the IBank Board of Directors approved the establishment of the Jump Start Loan Program, a micro-loan and technical assistance program targeting low-wealth entrepreneurs in low-wealth communities and aiming to make more small business loans available to entrepreneurs in commonly under-represented groups such as women, persons of color, veterans, the disabled and the previously incarcerated.

Small businesses in low-wealth communities typically lack access to capital, technical assistance resources and the business training needed to successfully start and operate a business. These businesses would not qualify for traditional bank financing or IBank's SBLGP because they are too new, too small or do not have technical business training. To help remedy the financial disparity suffered by these entrepreneurs, IBank created the Jump Start Loan Program and contracted with five Financial Development Corporations (Jump Start FDCs) that have proven experience with micro-lending in low-wealth communities to provide credit underwriting, loan disbursement, and servicing, as well as technical assistance and financial training to potential small business borrowers.

All of the services provided by the Jump Start FDCs are essential to sustaining successful small businesses and long term economic growth. The IBank Board approved an initial allocation of \$2,000,000 for the Jump Start Program with \$1,000,000 for direct loans and \$1,000,000 for technical assistance and administrative costs. With initial contracts executed in FY 16-17, the Jump Start FDCs began providing technical assistance to potential Jump Start borrowers. In FYs 17-18, 18-19 and 19-20, Jump Start FDCs made Jump Start Loans and continued providing technical assistance to new and existing businesses.

\$409,000

45 Jump Start Loans Totaling \$409,000 Have Been Disbursed

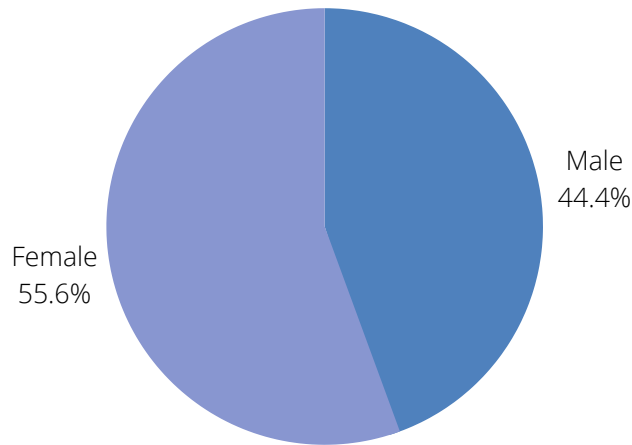
Technical Assistance Provided by Jump Start FDCs

Total Hours of Technical Assistance Provided	Total Number of Businesses That Received Technical Assistance
1,386	452

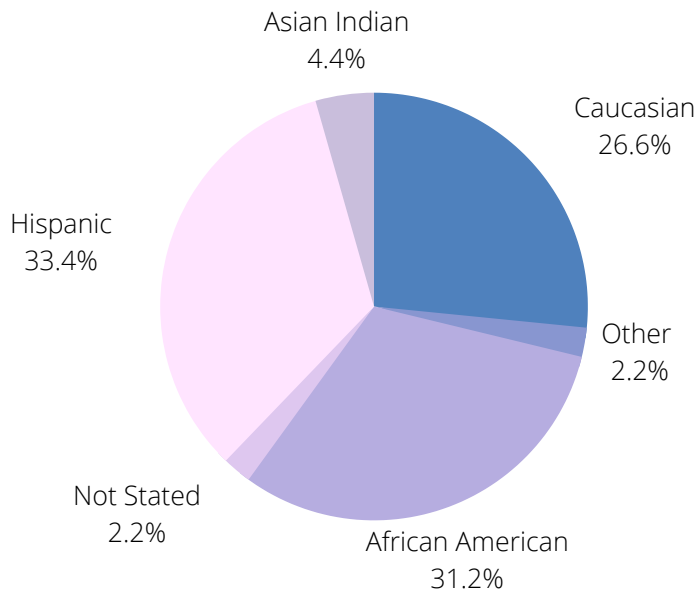
JUMP START LOANS

Micro Loans and Technical Assistance to California Entrepreneurs

Gender of Jump Start Loan Recipients



Ethnicity of Jump Start Loan Recipients



SIGNIFICANT EVENTS

Significant Events for the Small Business Finance Center During FY 19-20

IBank's Small Business Finance Center received a \$50 million allocation on April 3, 2020 utilizing the existing Disaster Relief Loan Guarantee Program to mitigate barriers to capital for those small businesses affected by the COVID-19 pandemic. The targeted businesses included those that do not qualify for federal disaster funds, including businesses in low-wealth and immigrant communities.

The allocation was used to recapitalize the IBank Disaster Relief Loan Guarantee Program by offering guarantees up to 95% and allowing lending institutions to help eliminate barriers to capital during critically declared events, as well as allowing businesses to receive financial assistance to overcome economic injury during disasters.



This Annual Report is created pursuant to California Government Code 63089.98, which reads: (a) Annually, not later than January 1 of each year commencing January 1, 2014, and notwithstanding Section 10231.5, the program manager shall prepare and submit to the Governor and the Legislature, pursuant to Section 9795, a report for the preceding fiscal year ending June 30, containing the expansion fund and trust fund financial product activity of each corporation, including all of the following: (1) Direct loans, guarantees, and other financial products awarded and outstanding balances. (2) Default and loss statistics. (3) Employment data. (4) Ethnicity and gender data of participating contractors and other entities, and experience of surety insurer participants in the bond guarantee program. (5) Geographic distribution by city and county of the direct loans, guarantees, and other financial products awarded and outstanding at the close of the fiscal year. (6) Significant events. (b) The program manager shall post the report on the bank's Internet Web site.