



Annual Report to the Governor and Legislature



NANCEE TROMBLEY

CHIEF DEPUTY EXECUTIVE DIRECTOR

EMILY BURGOS

PROGRAM MANAGER

1325 J Street, Suite 1300

Sacramento, California 95814

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EXECUTIVE SUMMARY	3
PROGRAM BACKGROUND	3
FISCAL YEAR 17/18 RESULTS.....	5
Small Business Loan Guarantee Program (SBLGP).....	5
<i>Number of Guaranteed Loans in SSBCI program</i>	<i>5</i>
<i>Number of Guaranteed Loans in State-funded program</i>	<i>5</i>
<i>Ethnicity of Loan Guarantee Recipients</i>	<i>5</i>
<i>Gender of Loan Guarantee Recipients</i>	<i>6</i>
<i>Loan Guarantee Loss Experience: Federal and State Funded Programs</i>	<i>6</i>
<i>Map of Geographic Distribution of Loan Guarantee Activity for FY 17/18</i>	<i>7</i>
<i>SBLGP Production by FDC</i>	<i>8</i>
<i>Top Financial Institution Users of SBLGP</i>	<i>9</i>
Farm Loan Program: Direct Lending	10
<i>Gender of Farm Loan Recipients</i>	<i>10</i>
<i>Ethnicity of Farm Loan Recipients</i>	<i>10</i>
Jump Start Loan Program: Direct Lending and Technical Assistance.....	11
<i>Gender of Jump Start Recipients</i>	<i>11</i>
<i>Ethnicity of Jump Start Recipients</i>	<i>12</i>
SIGNIFICANT EVENTS OF FISCAL YEAR 17/18.....	12

EXECUTIVE SUMMARY

The California Small Business Finance Center (SBFC) is a unit within the California Infrastructure and Economic Development Bank (IBank) and has the administrative responsibility for the California Small Business Loan Guarantee Program (SBLGP), Disaster Relief Loan Guarantee Program, Farm Loan Program, Jump Start Program, and the inactive Surety Bond Guarantee Program (collectively, the Programs). This annual report is required by California Government Code Section 63089.98(a) and contains information regarding the expansion fund and trust fund financial product activity, including all of the following:

- Direct loans, guarantees, and other financial products awarded and outstanding balances.
- Default and loss statistics.
- Employment data.
- Ethnicity and gender data of participating contractors and other entities, and experience of surety insurer participants in the bond guarantee program.
- 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.
- Significant events.

In addition, this annual report will provide an overview of the Programs for FY 17/18.

The SBFC has enjoyed another effective year assisting small businesses in California. Funds have been successfully deployed to the small business community with support from the SBLGP in FY 17/18. The SBFC recruited 13 new lenders to participate in the SBLGP and lenders guaranteed 400 small business loans totaling almost \$161 million.

PROGRAM BACKGROUND

The SBLGP promotes statewide economic development by providing collection guarantees that serve as a credit enhancement and incentive to financial institutions for loans issued to small businesses that otherwise would not qualify for a term loan or line of credit. As a result of the SBLGP, participating small businesses are able to secure financing that allows growth and expansion of their business.

In addition to collection guarantees for term loans and lines of credit, the SBFC provides direct farm loan funds to Financial Development Corporation (Corporations) lenders to help growers who cannot obtain conventional bank financing. The farm loans are guaranteed by the U. S. Department of Agriculture. There is also a Surety Bond Guarantee Program which had no activity this fiscal year due to lack of funding.

The State of California (State) was approved for 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. The allocation was split between two State agencies, with the SBLGP under IBank to receive half or about \$84 million in three disbursements

(tranches). The SSBCI funds have unique requirements. Consequently, the SSBCI-funded loan guarantees are administered separately as a subset of the SBLGP. Thus, since 2011, the SBLGP has consisted of two subsets: the state-funded portion of the SBLGP program and the federal SSBCI-funded portion.

Historically, up to eleven Corporations had contracts with the State pursuant to the California Corporations Code (starting with section 14000, and referred to as the California Small Business Financial Development Corporation Law) to administer guarantees under the state and federal loan guarantee programs. Each Corporation is a nonprofit corporation with general responsibilities for:

- 1) Marketing and administrating SSBCI and SBLGP
- 2) Underwriting the loan guarantees
- 3) Coordinating the loan guarantee documents and/or loan packages
- 4) Executing and issuing the loan guarantees, and
- 5) Ensuring that lenders follow the required default procedures before requesting payment on defaulted loans.

After assessing the effectiveness of the services provided by each Corporation, IBank offered contracts to the following seven Corporations for FY 17/18:

- California Capital Small Business Financial Development Corporation
- California Coastal Rural Development Corporation
- California Southern Small Business Development Corporation
- Northern California Financial Development Corporation
- Small Business Financial Development Corporation of Orange County
- Pacific Coast Regional Small Business Development Corporation
- Valley Small Business Development Corporation

FISCAL YEAR 17/18 RESULTS

Small Business Loan Guarantee Program (SBLGP)

Number of Guaranteed Loans in SSBCI program

In FY 17/18, a total of 275 SSBCI loans were made resulting in \$62.5 million of loan guarantees supporting \$82.3 million in small business loans. This guarantee activity contributed to nearly \$126.6 million of overall capital that was injected into the State's small business community. In addition, the borrowers reported 4,957 jobs were created or retained during this period as a result of the loan guarantees.

Since its inception in February 2011 through June 30, 2018, there have been 1,714 loan guarantees issued in California under SSBCI for approximately \$477 million in guarantees. The small business owners reported over 53,291 jobs created or retained during this period as a result of these loan guarantees.

Number of Guaranteed Loans in State-funded program

In FY 17/18, a total of 125 loans were made resulting in \$60.4 million of loan guarantees supporting \$78.7 million in small business loans. This guarantee activity contributed to over \$127.1 million of overall capital that was injected into the State's small business community. The small business owners reported 4,342 jobs created or retained as a result of these loan guarantees.

Ethnicity of Loan Guarantee Recipients

The figures represent both the Federal and State Loan Guarantee Programs for FY 17/18

Ethnicity	Number of Recipients	Percentage
Caucasian	230	57.50%
Asian/Pacific Islander	18	4.50%
Hispanic	71	17.25%
African American	20	5.00%
Asian Indian	28	7.00%
Other	33	8.25%
TOTAL	400	100%

Gender of Loan Guarantee Recipients

The figures represent both the Federal and State Loan Guarantee Programs for FY 17/18

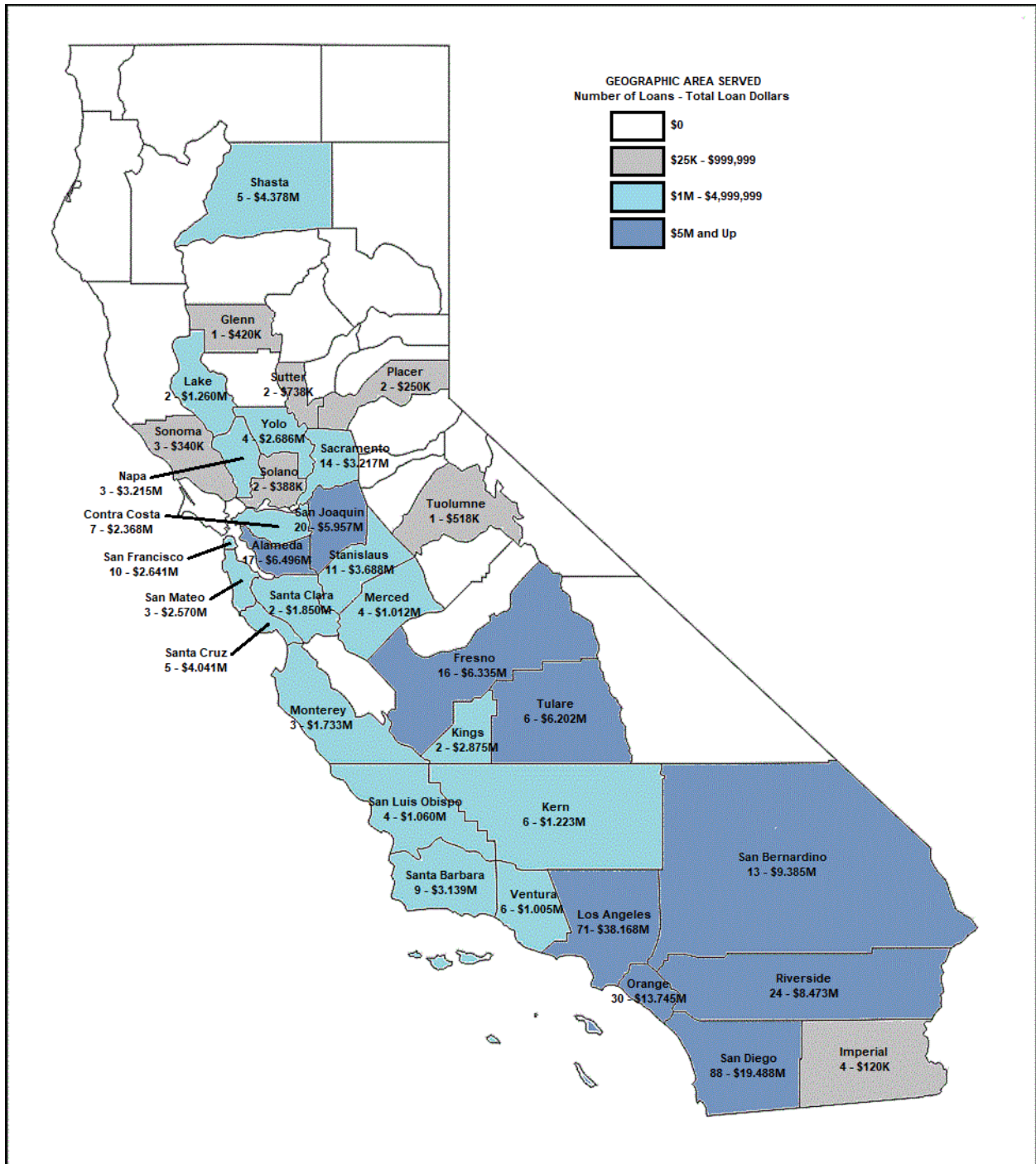
Gender	Number of Recipients	Percentage
Men	260	65.0%
Women	68	17.0%
Co-owned Equally by Men and Women	66	16.5%
Other	6	1.5%
TOTAL	400	100%

Loan Guarantee Loss Experience: Federal and State Funded Programs

For FY 17/18, the SBLGP paid 21 claims amounting to \$2,775,033 during the entire fiscal year. The losses were 2.9% of the reserve account and only 0.55% of the \$502 million loan outstanding principal.

Number of Guarantee Payments	Default Payments	Default Recoveries	30-Jun-17 Guarantee Reserve	Net Loss Rate on Reserve	30-Jun-17 Outstanding Loan Principal	Net Loss Rate on Loan Principal
21	\$2,775,033	\$80,714	\$94,906,334	2.9%	\$502,068,806	0.55%

Map of Geographic Distribution of Loan Guarantee Activity for FY 17/18



SBLGP Production by FDC

FY 17/18 Federally Funded SSBCI

FDC Name	Loan Amount	Initial Guarantee Liability	Total Financial Package	Jobs Created and Retained
California Capital	\$15,415,587	\$11,532,470	\$20,179,087	783
California Coastal	\$8,229,000	\$6,376,400	\$10,658,502	538
California Southern	\$2,963,855	\$2,367,834	\$6,192,420	324
Nor Cal	\$16,274,950	\$12,934,216	\$17,945,750	1,065
Orange County	\$17,124,138	\$11,883,938	\$45,643,022	927
Pacific Coast	\$7,126,370	\$5,701,096	\$8,173,605	468
SAFE-BIDCO	\$3,340,000	\$2,222,000	\$4,090,000	128
Valley	\$11,860,172	\$9,488,138	\$13,672,303	724
Totals	\$82,334,072	\$62,506,092	\$126,554,689	4,957

FY 17/18 State-funded SBLGP

FDC Name	Loan Amount	Initial Guarantee Liability	Total Financial Package	Jobs Created and Retained
California Capital	\$7,748,968	\$6,670,174	\$11,850,968	313
California Coastal	\$4,427,500	\$3,542,000	\$6,355,000	112
California Southern	\$6,270,254	\$4,899,046	\$9,648,500	773
Nor Cal	\$7,680,000	\$6,144,000	\$7,980,000	203
Orange County	\$29,689,100	\$22,157,258	\$57,719,314	2047
Pacific Coast	\$17,436,280	\$12,698,921	\$24,481,477	405
Valley	\$5,398,000	\$4,318,400	\$9,098,000	489
Totals	\$78,650,102	\$60,429,799	\$127,133,259	4,342

Top Financial Institution Users of SBLGP

FY 17/18 California's Top 10 Lenders by Number of Loans

Order	Lender	# of Loans
1	Accion San Diego	68
2	CDC Small Business Finance	33
3	F & M Bank	26
4	Pacific Enterprise Bank	25
5	Pacific Community Ventures	17
6	Pacific Premier Bank	14
7	Citizens Business Bank	13
8	First Northern Bank of Dixon	10
9	Torrey Pines Bank	9
10	Community Business Bank	8
10	Community West Bank	8

FY 17/18 California's Top 10 Lenders by Dollars Loaned

Order	Lender	Dollars Loaned
1	Pacific Premier Bank	\$17,263,332
2	Citizens Business Bank	\$7,990,000
3	New Resource Bank	\$7,165,000
4	F & M Bank	\$6,018,868
5	Bank of Southern California	\$5,672,500
6	Bank of Hope	\$4,500,000
6	Partners Bank of California	\$4,500,000
7	Pacific Enterprise Bank	\$4,306,900
8	California Business Bank	\$4,251,500
9	California Credit Union	\$4,219,000
10	City National Bank	\$4,100,000

Farm Loan Program: Direct Lending

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) which guarantees up to 90% of those loans.

Historically, three Corporations have requested and are approved to use the Farm Loan Program.

The Farm Loan Program was utilized by two of the three Corporations in FY 17/18.

FDC Name	Number of New Direct Loans	Amount of New Direct Loans	Number of Jobs Created or Retained
Valley	9	\$2,603,000	216

FDC Name	Number of Historic Loans Purchased	Amount of Historic Loans Purchased	Number of Jobs Created or Retained
CalCoastal	6	\$2,618,253	159

Total Outstanding Disbursements*	Total Outstanding Balance in the Trust Fund	Number of Defaults
\$848,067	\$2,767,188	0

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

Gender of Farm Loan Recipients

Gender	Number of Recipients	Percentage
Men	8	53%
Women	3	20%
Co-owned Equally by Men and Women	4	27%
TOTAL	15	100%

Ethnicity of Farm Loan Recipients

Ethnicity	Number of Recipients	Percentage
Caucasian	8	53%
Asian/Pacific Islander	1	7%
Hispanic	3	20%
Other	3	20%
TOTAL	15	100%

Jump Start Loan Program: Direct Lending and Technical Assistance

On September 27, 2016 the IBank Board approved the establishment of the Jump Start Loan Program, a new 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 the technical business training. To help remedy the financial disparity suffered by these small businesses, IBank created the Jump Start Loan Program and contracted with five Financial Development Corporations (Jump Start Corporations) 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 under the Jump Start Loan Program. All of the services provided by the Jump Start Corporations are essential to sustaining successful small businesses and long term economic growth. The IBank Board approved an initial allocation of \$2 million for the Jump Start Program with \$1 million for direct loans and \$1 million for technical assistance and administrative costs. With initial contracts executed in Fiscal Year 16/17, the Jump Start Corporations began providing technical assistance to potential Jump Start borrowers. In Fiscal Year 17/18 Jump Start Corporations began making Jump Start Loans.

Total Loan Amount	Total Number of Loans
\$185,000	22

Total Hours of Technical Assistance Provided FY 16/17- FY 17/18	Total Number of Businesses That Received Technical Assistance
493.5	181

Gender of Jump Start Recipients

Gender	Number of Recipients	Percentage
Men	11	50%
Women	11	50%
TOTAL	22	100%

Ethnicity of Jump Start Recipients

Ethnicity	Number of Recipients	Percentage
Caucasian	8	36%
Hispanic	7	32%
African American	5	23%
Asian Indian	1	4.5%
Other	1	4.5%
TOTAL	22	100%

SIGNIFICANT EVENTS OF FISCAL YEAR 17/18

Continuous Funding of the Disaster Relief Loan Guarantee Program and the Expansion of Jump Start: Due to the unprecedented wildfires plaguing California in October 2017, many small businesses in areas affected by wildfire suffered severe harm, loss to real and personal property, and faced potentially ruinous financial injury. Many of businesses affected by disaster lack the capital access resources necessary for recovery without the credit enhancement of a loan guarantee from IBank. In an effort to offer support to those affected by the wildfires of 2017 and all future disasters in California, the IBank Board approved the activation of the Disaster Relief Loan Guarantee Program (DRLGP) as a sub program of the SBLGP. This establishment allocated funds from the SBLGP of up to \$10 million to support loan guarantees up to 95% on disaster related loans. In addition, the IBank Board approved the expansion of the Jump Start Program to any disaster affect area. This expansion allows any low-wealth entrepreneur in an area affect by disaster to have access to a Jump Start loan and technical assistance.