



Small Business Finance Center



ANNUAL REPORT

Fiscal Year 2020-2021



California Infrastructure and
Economic Development Bank

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Small Business Finance Manager
Megan Hodapp

LETTER FROM THE SMALL BUSINESS FINANCE CENTER MANAGER

The importance of California's small businesses cannot be overstated. California small businesses are key drivers of economic growth in the state, **creating more than 83% of new jobs**, which is no surprise considering

California is home to 4.2 million small businesses, **representing 99.8% of all businesses in the state** and **employing 7.3 million workers in California**, or **48.2% of the state's total workforce**.

When the COVID-19 pandemic hit, the critical needs for small businesses shifted from expansion and growth to simply remaining solvent. More recently, the goal of the Small Business Finance Center has been transitioning from not only helping minimize small business job losses and business closures, but to **helping California small businesses** – including the smallest of the small businesses – **roar back**.

In fiscal year 2020-2021, our Small Business Finance Center team worked tirelessly with our Financial Development Corporations (see page 4), partner lenders, and other small business organizations throughout the state, to ensure capital flowed swiftly to businesses seeking quick relief. Over the past year, our small business support expanded to include providing the anchor investment for a new public-private partnership – the California Rebuilding Fund – designed to lift up and support small businesses well into the future.

While providing critical COVID relief to California's small businesses, the Small Business Finance Center team also maintained our day-to-day activities helping small businesses through our existing programs: Small Business Loan Guarantee Program, traditional Disaster Relief Loan Guarantee Program, COVID-19 Microloan Guarantee initiative, Jump Start Program, and Farm Loan Program.

In fiscal year 2020-2021, the Small Business Finance Center guaranteed 1,978 loans (across all 3 loan guarantee programs), resulting in more than \$184.7 million in loan guarantees that supported more than \$241 million in small business loans. Small business owners reported more than 18,000 jobs were created or retained because of these loan guarantees. We encouraged more affordable financing through **clean energy projects** providing five loan guarantees for Climate Tech projects, accelerating greenhouse gas reduction in partnership with the Bay Area Air Quality Management District and Northern California Financial Development Corporation.

Small businesses are continuing to make creative changes that allow them to safely serve the people of California, while we all strive to define what our “new normal” looks like. The Small Business Finance Center is here to help businesses not only survive, but eventually thrive in this new economic landscape.

The Small Business Finance Center looks forward to yet another year of serving the state of California and its people in a way that helps promote the entrepreneurial spirit and the pursuit of their own California dream as we continue to work toward a California for All.



Megan Hodapp
Small Business Finance Center Manager



ABOUT THE SMALL BUSINESS FINANCE CENTER

Our Mission

To help California small businesses access the capital they need to start, grow, and thrive.

History

The Small Business Finance Center has supported small businesses dating back to the 1960s, providing access to the capital necessary to start, grow, and thrive in communities throughout the great state of California. Originally known as the Small Business Loan Guarantee Program, the Small Business Finance Center received seed money in 1968 to help reduce unemployment by supporting entrepreneurship and small businesses. Since then, the Small Business Finance Center has been promoting statewide economic development by increasing opportunities for entrepreneurs, people who are self-employed, and small business owners by ensuring access to capital and other technical resources. The Small Business Finance Center provides credit enhancements in the form of loan guarantees (both traditional loan guarantees and disaster recovery loan guarantees), direct loans to farmers, direct loans to low-wealth entrepreneurs in low-wealth communities, and technical assistance. Because of the Small Business Finance Center programs, small business owners can secure financing that allows them to grow and sustain their businesses.

The Small Business Loan Guarantee Program had many homes through the decades, including the California Employment Development Department; California Department of Economic and Business Development; California Department of Technology, Trade and Commerce; and the California Business, Transportation and Housing Agency. Through Governor Jerry Brown's Reorganization Plan in 2013, the program was transferred to the Governor's Office of Business and Economic Development (GO-Biz). The Small Business Financial Assistance Act of 2013 placed the Small Business Loan Guarantee Program under the California Infrastructure and Economic Development Bank (IBank), renaming it the Small Business Finance Center to accurately represent its many functions – where it remains today as a vital resource removing barriers for small business owners and helping turn dreams into reality.

To learn more about IBank's other programs, see IBank Annual Report on IBank's website ibank.ca.gov (under "News and Publications" / "Publications" / "Annual Legislative Reports").

PARTNERSHIP WITH FINANCIAL DEVELOPMENT CORPORATIONS

California's Financial Development Corporations (FDCs) were created in the California Corporations Code to help the Small Business Finance Center administer its programs throughout the state, removing barriers small businesses face accessing capital. Each FDC is a nonprofit corporation with general responsibilities for marketing and administering Small Business Finance Center programs. As mission-based organizations, the FDCs support small businesses and stimulate economic growth in underserved communities.

After its annual assessment of the effectiveness of the services provided by each FDC, IBank offered contracts to the seven FDCs listed below for fiscal year 2020-2021. The FDCs are strategically located throughout the state with satellite offices that reach statewide.



California Capital Financial Development Corporation

Founded: 1982

Locations: Sacramento, Stockton, Yuba City, Rocklin



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

Locations: Fresno, mobile office covers Central San Joaquin Valley

Collectively, the FDCs have 1,367 years of lending expertise on staff and 659 years serving the Small Business Finance Center 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 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

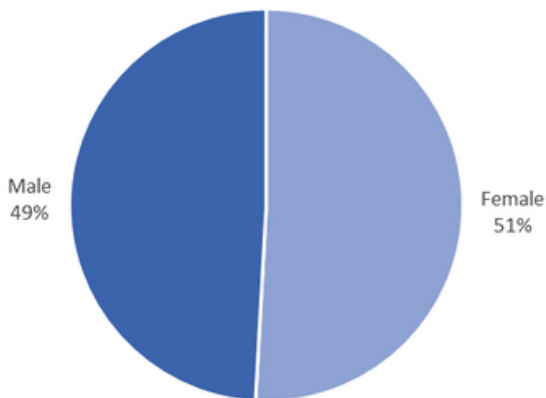
- Community Development Financial Institution – certified by U.S. Department of the Treasury
- Community Development Financial Institution – certified by California Organized Investment Network
- Women’s Business Center
- Procurement Technical Assistance Center
- Community Development Entity – certified by U.S. Department of the Treasury
- Promise Zone – lead economic development implementation partner
- Small Business Development Center

Loan, Grant, and Technical Assistance Programs

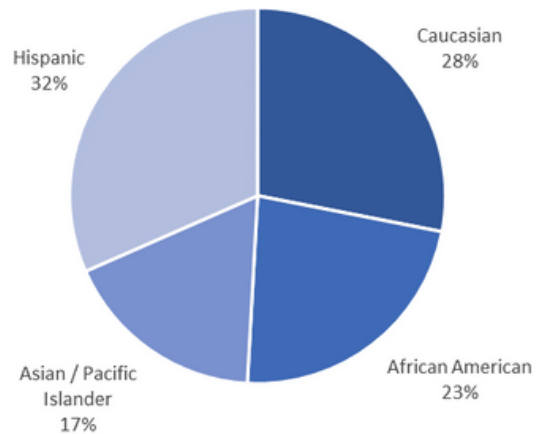
- U.S. Department of Commerce Economic Development Administration Revolving Loan Fund – for small business lending
- U.S. Department of Commerce Economic Development Administration Revolving Loan Fund – for disaster recovery and mitigation
- U.S. Small Business Administration Community Advantage (7a) Loan Program
- U.S. Small Business Administration Micro Loan Program
- U.S. Small Business Administration 504 Loan Program
- U.S. Department of Agriculture Intermediary Relending Program
- U.S. Department of Agriculture Farm Service Agency (FSA) Loan Guarantee Program
- U.S. Department of Agriculture 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 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

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 economic development participants in their communities. 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 in which they are located.

**Gender of FDC Staff Members
Serving Small Businesses**



**Ethnicity of FDC Staff Members
Serving Small Businesses**



FISCAL YEAR 2020-2021 RESULTS

Small Business Loan Guarantee Program

The Small Business Loan Guarantee Program 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 million, with a maximum guarantee of \$1 million. 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 can secure financing for the growth and expansion of their business.

Expanding Access to Underserved Populations

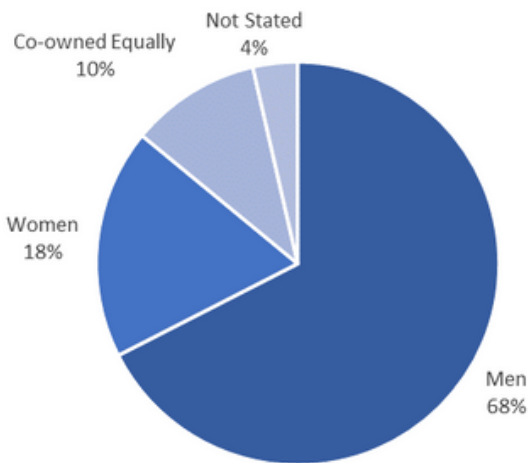
IBank is committed to increasing access to its programs -- including traditionally underserved populations -- by building relationships with trusted partners in communities throughout the state.

Ethnicity	2011-2012	2020-2021
Caucasian	63.8%	56.2%
Asian/Pacific Islander	12.5%	13.5%
Hispanic	7.5%	14.0%
African American	2.8%	8.3%
Asian Indian	6.9%	-
Native American	0.0%	0.3%
Other	6.4%	1.9%
Not Stated	-	5.5%
Total	100%	100%

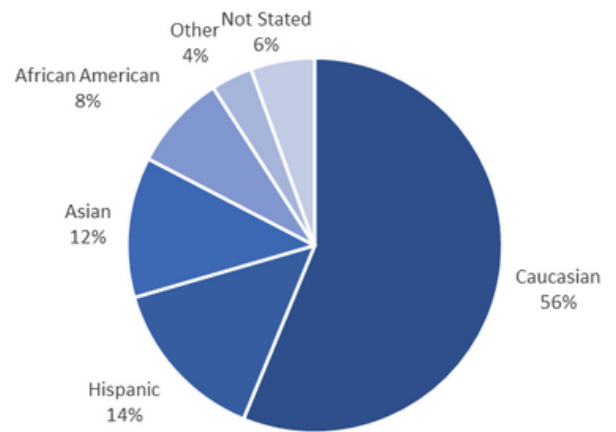
Guaranteed Loans

In fiscal year 2020-2021, 363 loans were made resulting in more than \$111 million of loan guarantees supporting more than \$163 million in small business loans. This guarantee activity contributed to more than \$228 million of overall capital injected into the state's small business community. The small business owners reported 9,866 jobs created or retained because of these loan guarantees.

Gender of Loan Guarantee Recipients



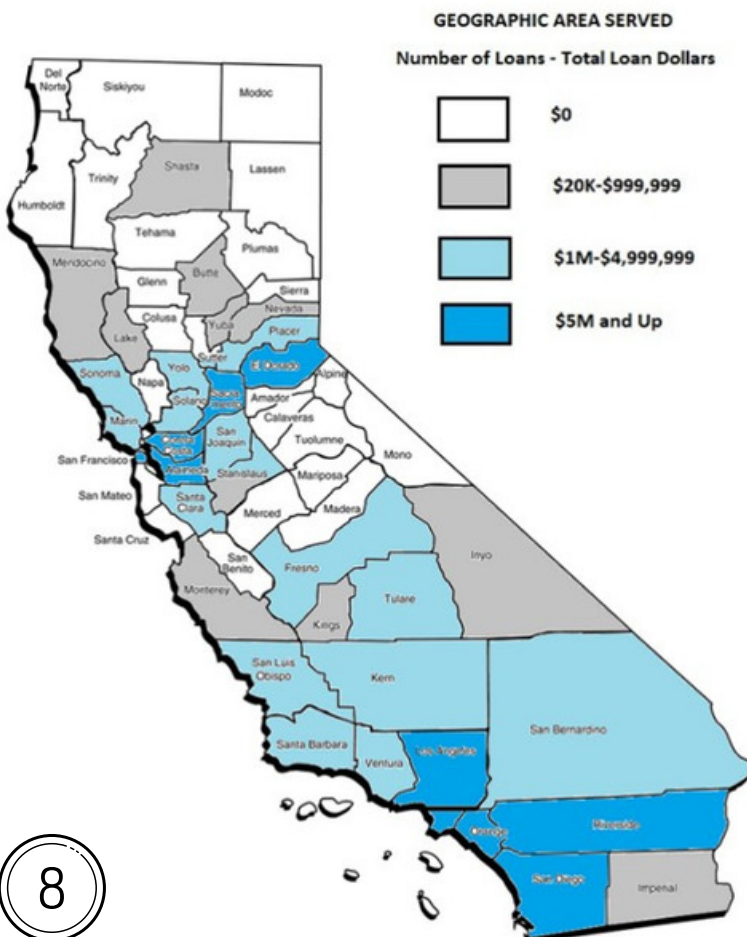
Ethnicity of Loan Guarantee Recipients



Loan Guarantee Loss Experience: Federal- and State-Funded Programs

Number of Guarantee Payments	Default Payments	Default Recoveries	30-Jun-21 Guarantee Reserve	Net Loss Rate on Reserve	30-Jun-21 Outstanding Loan Principal	Net Loss Rate on Loan Principal
26	\$1,771,942	\$397,133	\$117,637,202	1.5%	\$709,178,662	0.2%

Map of Geographic Distribution of Loan Guarantee Activity Fiscal Year 2020-2021



Los Angeles	\$29,965,265	54
San Diego	\$24,312,300	72
Orange	\$17,932,250	25
Sacramento	\$13,600,000	10
Riverside	\$9,894,563	33
San Francisco	\$8,166,500	15
Alameda	\$6,132,000	15
El Dorado	\$5,908,377	2
Contra Costa	\$5,697,014	10
San Joaquin	\$4,669,734	8
San Luis Obispo	\$4,427,000	10
Marin	\$3,768,000	6
San Bernardino	\$3,742,310	23
Santa Clara	\$3,519,000	6
Fresno	\$3,058,545	9
Ventura	\$2,443,000	8
Yolo	\$2,370,570	8
Solano	\$2,338,201	8
Sonoma	\$2,203,000	4
Kern	\$1,799,221	2
Santa Barbara	\$1,665,000	3
Tulare	\$1,011,000	3
Placer	\$1,002,000	7
Stanislaus	\$814,250	3
Santa Cruz	\$600,000	2
Kings	\$487,959	1
Shasta	\$430,831	2
Butte	\$350,000	1
Mendocino	\$308,683	5
Monterey	\$200,000	2
Inyo	\$150,000	1
Imperial Valley	\$123,000	3
Nevada	\$100,000	1
Lake	\$50,147	1

Small Business Loan Guarantee Program Production by FDC

FDC Name	Loan Amount	Initial Guarantee Liability	Total Financial Package	Jobs Created and Retained
California Capital	\$7,340,565	\$4,526,511	\$7,340,565	452
California Coastal	\$6,302,000	\$5,131,600	\$6,927,000	299
California Southern	\$31,314,641	\$24,638,168	\$70,230,236	2,853
Nor Cal	\$70,328,569	\$40,624,862	\$78,354,027	2,895
Orange County	\$37,526,759	\$28,220,764	\$53,230,201	2,448
Pacific Coast	\$4,029,780	\$3,274,584	\$4,354,895	492
Valley	\$6,397,406	\$4,700,895	\$8,234,334	427
Totals	\$163,239,719	\$111,117,384	\$228,671,257	9,866

Top Financial Institution Users of Small Business Loan Guarantee Program

Order	Lender	# Of Loans
1	Accessity (Formerly Accion)	45
2	First Northern Bank	23
3	Endeavor Bank	18
4	Pacific Premier Bank	18
5	CDC Small Business Finance	16
6	First Commercial Bank (USA)	16
7	Farmers & Merchants Bank	13
8	Community Vision Capital & Consulting	12
9	Poppy Bank	12
10	American Business Bank	9

Fiscal Year 2020-2021 Top Lenders by Dollars Loaned

Order	Lender	Dollars Loaned
1	Bridge Bank	\$13,250,000
2	American Business Bank	\$11,156,800
3	Pacific Premier Bank	\$9,812,250
4	First Northern Bank	\$9,670,947
5	Endeavor Bank	\$9,596,000
6	United Business Bank	\$8,383,000
7	Farmers & Merchants Bank	\$7,249,734
8	Poppy Bank	\$6,249,577
9	California Bank of Commerce	\$5,250,000
10	First Commercial Bank (USA)	\$5,249,000

Disaster Loan Relief Guarantee Program

Traditional Disaster Relief

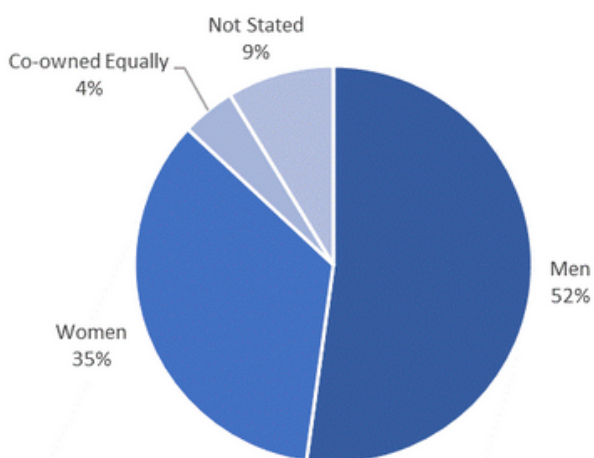
The Small Business Finance Center's Disaster Relief Loan Guarantee Program was created to help businesses recover from a declared disaster. The loan guarantees provided by the Disaster Relief Loan Guarantee Program help mitigate barriers to capital for small businesses that have suffered a loss (either physical or economic) due to a disaster. The program helps businesses remain solvent during an extremely difficult time and eventually recover from their losses.

The maximum disaster loan amount is \$1.25 million, and they can be guaranteed up to 95% of the loan or \$1 million maximum, whichever is less. The maximum guarantee term is 7 years. The interest rates are negotiated between the lender and the borrower.

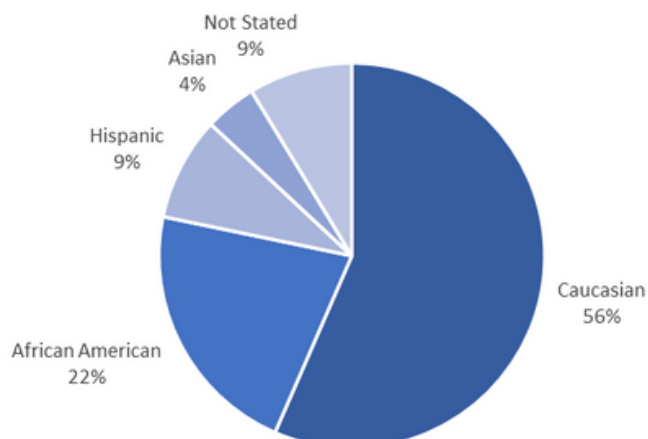
Number of Traditional Disaster Relief Guaranteed Loans

In fiscal year 2020-2021, the Small Business Finance Center guaranteed 23 traditional disaster relief loans, resulting in more than \$7.3 million in disaster relief loan guarantees that supported more than \$7.9 million in small business loans. Small business owners reported 1,375 jobs created or retained because of these loan guarantees.

Gender of Traditional Disaster Loan Guarantee Recipients



Ethnicity of Traditional Disaster Loan Guarantee Recipients



COVID-19 Disaster Relief

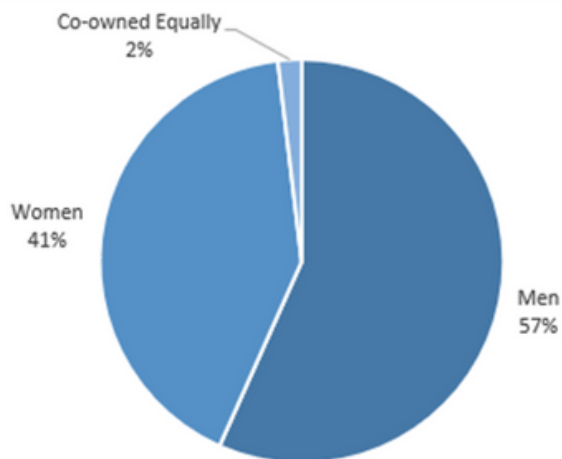
In April 2020, IBank received a \$50 million General Fund allocation to target small businesses needing help to overcome economic injuries caused by COVID-19. The Small Business Finance Center worked tirelessly to quickly launch the COVID-19 Micro Loan Guarantee Fund. The COVID-19 Micro Loan Guarantee Fund addresses gaps in available financing to the smallest of small businesses, including those that may not qualify for federal disaster assistance and businesses that are female owned, minority owned, or located in low-wealth communities. Loan proceeds for the COVID-19 Micro Loan Guarantee Fund must be used for business continuance and to cure a “significant economic injury” as the result of the COVID-19 pandemic.

In fiscal year 2020-2021, the Small Business Finance Center continued to leverage the \$50 million allocated in April 2020 for the COVID-19 Micro Loan Guarantee Fund.

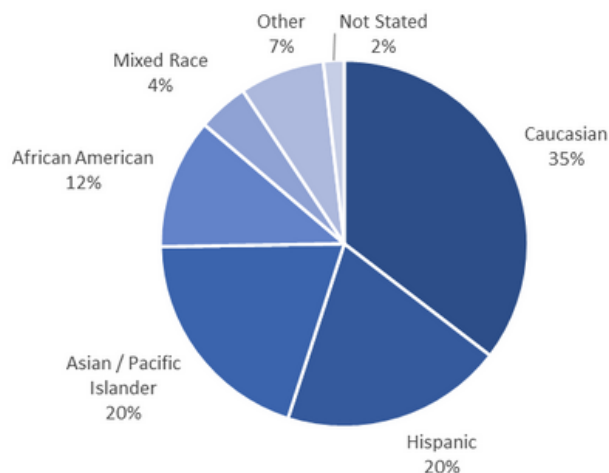
Number of COVID-19 Micro Loans Guaranteed

In fiscal year 2020-2021 the Small Business Finance Center guaranteed 1,592 COVID-19 micro loans. This resulted in more than \$66.2 million in loan guarantees that supported more than \$69.8 million in disaster relief loans. Small business owners reported 7,649 jobs were created or retained because of these loan guarantees.

Gender of COVID-19 Micro Loan Guarantee Recipients



Ethnicity of COVID-19 Micro Loan Guarantee Recipients



As of June 30, 2021, IBank guaranteed a total of 1,716 COVID-19 micro loans totaling \$74.5 million. These loans created or retained 8,369 jobs for Californians. Approximately 86% of these loans have gone to borrowers in underserved markets.

86%

Percentage of COVID-19 Disaster Relief Loan Guarantees to **female or minority-owned businesses or located in low- to moderate-income census tract.**

Farm Loan Program: Direct Lending

The Small Business Finance Center's Farm Loan Program provides direct loans to small farms in California through corporations that are also approved lenders of the U.S. Department of Agriculture, Farm Services Agency, which guarantees up to 90% of those loans.

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

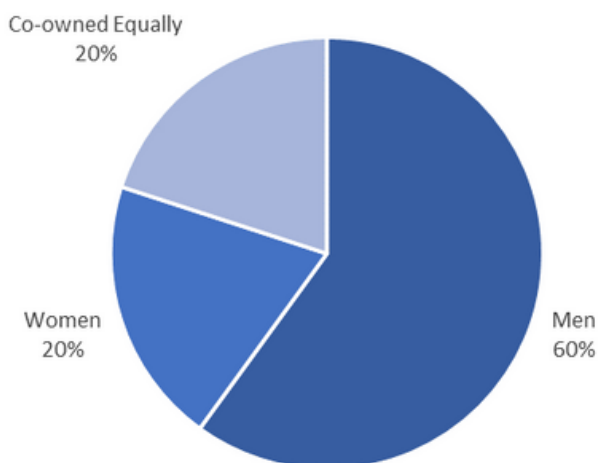
The Farm Loan Program was utilized by one FDC in fiscal year 2020-2021.

FDC Name	Number of New Direct Loans	Amount of New Direct Loans	Number of Jobs Created or Retained
Valley	10	\$2,863,000	351

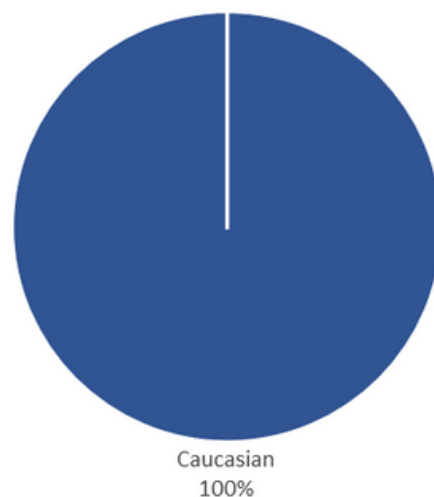
Total Outstanding Disbursements*	Total Outstanding Balance in the Trust Fund	Number of Defaults
\$2,530,008	\$4,858,034	0

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

Gender Farm Loan Recipients



Ethnicity of Farm Loan Recipients



Jump Start Loan Program: Direct Lending and Technical Assistance

In 2016, the IBank board of directors approved the creation of the Jump Start Loan Program, a micro-loan and technical assistance program for low-wealth entrepreneurs in low-wealth communities. The Jump Start program offers small business loans to entrepreneurs in under-represented populations including women, people of color, veterans, people with disabilities, and people who have exited correctional facilities. Small businesses in low-wealth communities typically lack access to capital, technical assistance, and the business training needed to successfully start and operate a business. These businesses would not qualify for traditional bank financing or IBank's Small Business Loan Guarantee Program because they are too new, too small, or do not have technical business training.

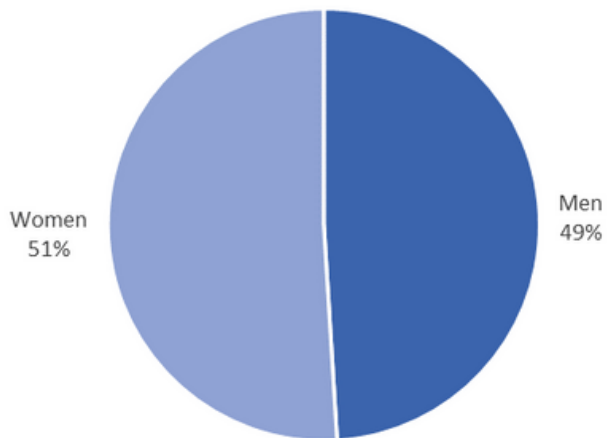
To help remedy the financial disparity suffered by these entrepreneurs, IBank created the Jump Start Loan Program and contracted with five Financial Development Corporations (Jump Start FDCs) that have proven experience with micro-lending in low-wealth communities to provide credit underwriting, loan disbursement, and servicing, as well as technical assistance and financial training to potential small business borrowers. All the services provided by the Jump Start FDCs are essential to creating and sustaining successful small businesses and long-term economic growth.

IBank's board of directors 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 2016-2017, the Jump Start FDCs began providing technical assistance to potential Jump Start borrowers. In Fiscal Year 2017-2018, Jump Start FDCs began making Jump Start Loans and continued providing technical assistance to new and existing businesses.

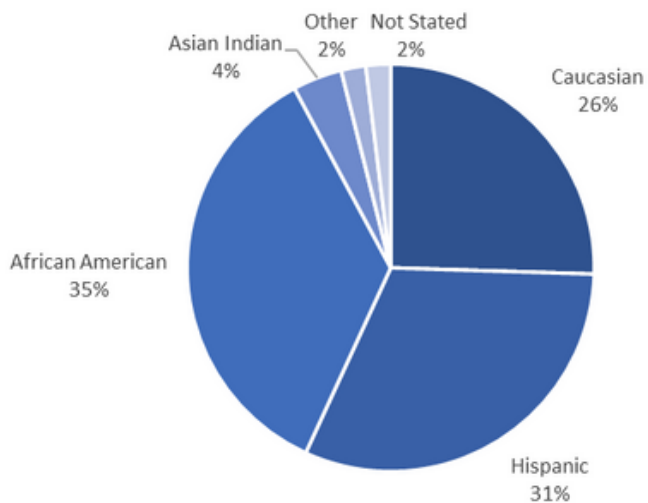
Total Loan Amount	Total Number of Loans
\$465,500	51

Total Hours of Technical Assistance Provided	Total Number of Businesses That Received Technical Assistance
1,646	507

Gender of Jump Start Loan and Technical Assistance Recipients



Ethnicity of Jump Start Loan and Technical Assistance Recipients



SIGNIFICANT EVENTS OF FISCAL YEAR 2020-2021



The 2020 Budget Act provided a \$25 million one-time General Fund allocation to serve as the anchor investment to create the California Rebuilding Fund, combining investments from private, philanthropic, and public sector sources to provide low-interest loans to California's smallest businesses as they reopen and recover from the impacts of the COVID-19 pandemic. In November 2020, Governor Newsom's Administration allocated an additional \$12.5 million to bring the state's total investment in the California Rebuilding Fund to \$37.5 million.

The 2021-2022 state budget also included a \$50 million one-time General Fund allocation to use across IBank's programs, with a focus on programs that benefit underserved businesses in California such as the California Rebuilding Fund.

The federal American Rescue Plan Act of 2021 included \$10 billion reauthorizing the federal State Small Business Credit Initiative, which was initially created in 2010, to strengthen state programs that support financing of small businesses. In November 2021, the U.S. Department of the Treasury released a state-by-state allocation of the \$10 billion appropriated, and California is estimated to receive approximately \$1.2 billion in three installments, excluding the technical assistance and tribal allocations.

To supplement the federal State Small Business Credit Initiative, California's state budget included a \$20 million one-time General Fund allocation in 2021-2022 for IBank's Small Business Loan Guarantee Program to continue providing loans as businesses recover from the economic impacts of the pandemic. The Small Business Loan Guarantee Program uses state funds for guarantees that are not eligible for the State Small Business Credit Initiative.



In fiscal year 2020-2021, to help California meet its climate goals, IBank continued its growth in the climate financing space. Through a partnership with NorCal Financial Development Corporation and the Bay Area Air Quality Management District's Climate Tech Finance program, the Small Business Finance Center guaranteed five loans, resulting in more than \$3.8 million in loan guarantees that supported more than \$6.6 million in Climate Tech loans. The projects address the current climate crisis by:

1. Creating a first-of-its-kind hydrogen fuel cell, zero-emissions ferry;
2. Developing a renewable energy microgrid;
3. Developing green energy through electric vehicle charging stations;
4. Developing green energy through solar panel installations; and
5. Helping Californians throughout the state transition to greenhouse gas-free electricity, reducing greenhouse gas emissions through educational programs, research, and community involvement.

Statutory Basis for This Report

This report has been prepared pursuant to Gov Code 63089.98.

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