

SILICON VALLEY / SAN JOSE

Business JOURNAL

March 26, 2010

GUEST COMMENT

Small-business loans can work for you



Joe Simitian

Sitting down with a loan officer at the bank these days is a daunting task for small-business owners, even if their businesses have weathered the recession well.

With banks enforcing tighter lending standards, what were once routine approvals for equipment purchases or renovations have become chancy propositions.

Fortunately, a rejection need not shut the door on plans to grow. California has a program for just such situations. Called the California Capital Access Program, or CalCAP, it is designed to facilitate loans to small businesses that fall just short of traditional borrower qualifications.

The good news is that the number of loans CalCAP can make available has been expanded by legislation that I authored in 2008, with an eye toward expanding small-business opportunity in the state.

The new law (Senate Bill 1311) requires no additional public money. Instead, thanks to the overwhelmingly positive repayment record of borrowers, it reduces CalCAP's contribution to an insurance fund that reimburses banks in the unlikely event of a default. That allows for more loans to more businesses.

And more businesses, particularly small businesses, are critical to job creation. They build communities and en-

hance the quality of life by providing essential neighborhood services. They are also the springs where innovation bubbles up.

CalCAP has already assisted hundreds of businesses, getting exceptional leverage on a relatively small amount of money.

Here's how CalCAP works: A lender who thinks a proposed loan is a little too risky applies to CalCAP for participation in the program. The borrower pays a premium, say 2 percent, that is matched by the lender. The premiums are put into a reserve fund, to which the state also adds 2 percent of the loan value. Previously, the state's contribution equaled the borrower's and the lender's combined.

Loans can be as little as \$500, and as much as \$1.5 million. Loans are available for construction or renovation of buildings and the purchase of land or equipment.

Small businesses in Silicon Valley, the region I represent in the State Senate, ought to feel a particular kinship with CalCAP. It's got a Silicon Valley attitude — friendly to the entrepreneur with gumption and a good idea. CalCAP aims to put more Californians to work. If you are a small business looking for a loan, make it work for you.

For more information visit the state Treasurer's Web site at www.treasurer.ca.gov/CPCFA/calcap.asp

Palo Alto State Senator Joe Simitian represents the 11th State Senate District and is the author of Senate Bill 1311.