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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. list	Participants List; RE: addresses/phone numbers [partial] (2 pages)	n.d.	P6/b(6)

COLLECTION:

Clinton Presidential Records
Policy Development
Lisa Green
OA/Box Number: 20587

FOLDER TITLE:

Securitization of CD [Community Development] Loans

2012-0043-S
ms261

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
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"Wells, Anita" <awells@mbda.gov>
05/14/99 03:52:12 PM

Record Type: Record

To: Lisa Green/OPD/EOP

cc: "Cox, Courtland" <ccox@mbda.gov>
Subject: Milken Institute

<<Ca securitization - EDM Teams_memo.doc>> Lisa, it was a pleasure meeting with you this afternoon. I look forward to the opportunity to work with you as we move forward on this project.

Attached for your information is a memo detailing the current work teams for the California demonstration project. We will be meeting by teams within the next 1-2 weeks and I will keep you updated on our progress.

Please don't hesitate to contact me if you have any questions. I can be reached at (202) 482-3238 or (202) 482-5061. Thanks again.

- Ca securitization - EDM Teams_memo.doc

Milken Institute *Interoffice Memo*

Date: May 12, 1999
To: EDM (Emerging Domestic Markets) Working Group
Cc: Don Straszheim, Skip Rimer, Caloryn Wagner, Debbie Jordan
From: Glenn Yago, Ph.D.

Thank you for your participation in yesterday's meeting of the Emerging Domestic Markets Working Group. We will contact you soon to set up conference calls for each of the teams we established. For your convenience, please find attached a list of the various teams. Do not hesitate to call Rebecca Ford at 310-998-2699 or me at 310-998-2640 with any questions or changes.

Ex-officio:

Paul Pryde, Capital Access Corp.
Glenn Yago, Milken Institute
Charlynn Goins, Consultant
Anita Cooke Wells, MBDA
Godfrey Newton, Jeffries & Co.
Jack Hardy, O'Melveny & Myers
Dean Weiner, O'Melveny & Myers
Kristin Faust, CA Chief Deputy Treasurer
Rebecca Ford, Milken Institute

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Community Development Lending:

Paul Garity, KMPG Peat Marwick
Robert Kemp, LA Comm. Dev. Bank
Betsy Zeidman, Zeidman & Assoc.
Domenic Pilato, LA MBOC
Debra Esparza, Esparza & Assoc.
Michael Gunning, CA Org. Invest. Network
Annette Darnes, Community Bank of the Bay
Linda Pei, Pro-Conscience Funds, Inc.
Jane Cloninger, Edgar, Dunn & Co.

Native American:

Deni Leonard, DLA Financial, Inc.
Annette Darnes, Community Bank of the Bay
Eric Natwig, New West Partners, Inc.
Anita Cooke Wells, MBDA

Sarah Rosen Wartell
05/21/99 08:20:23 AM

Record Type: Record

To: Jonathan A. Kaplan/OPD/EOP@EOP

cc: lisa green/opd/eop@eop
Subject: Re: New Markets Executive Actions

Lisa -- When is SBA's rules on Targeted SBICs going to come out? Also, when are New Market Lending COmpany applications going to be solicited. Both could be used for this. Also -- we have the CDFI funding round to announce in July. We were going to do as part of the july trip. that is executive action.

Tickler

Lisa Green
05/03/99 06:53:33 PM

Record Type: Record

To: Melissa G. Green/OPD/EOP@EOP

cc: Sarah Rosen Wartell/OPD/EOP@EOP, Jonathan A. Kaplan/OPD/EOP@EOP
Subject: Commerce Announcement on Securitization of EDA Loans

For Gene --- **not** urgent.

FYI - I met with John Orszag last Friday and he mentioned that Secretary Daley will be announcing a pilot program involving securitization of EDA loans, at the VP's conference this week (May 3-6) on Sustainable Development. Later this year I hope to reconvene the working group on securitization of community development loans. Commerce's initiative with EDA loans may serve as a good base to work from for later, broader efforts. As I get more details I will let you know.

[6/99

Good. Soon.

GS
5/8/99

(a process could be a New Markets deliverable)

Lisa Green
04/30/99 04:44:04 PM

Record Type: Record

To: Sarah Rosen Wartell/OPD/EOP@EOP, Jonathan A. Kaplan/OPD/EOP@EOP
cc:
Subject: REVISED Atlanta EZ Businesses

I met with John Orszag today and he mentioned in passing that Secretary Daley will annouce a proposed securitization program for EDA loans at the VP's Sustainable America conference in Detroit next Tuesday. I don't think this is a big deal, and I'm not planning to get involved except on a FYI basis, but is this something that Gene would want to know about before it gets announced next week?

It doesn't overlap in anyway with New Markets, but I know somewhere on our agenda (for much later in the year) we want to work on securitization of community development loans. Please advise.

--------------------- Forwarded by Lisa Green/OPD/EOP on 04/30/99 04:39 PM ---------------------------

Jonathan Weiss@OVP
04/30/99 04:18:13 PM

Record Type: Record

To: Lisa Green/OPD/EOP@EOP
cc:
Subject: REVISED Atlanta EZ Businesses

--------------------- Forwarded by Jonathan Weiss/OVP on 04/30/99 04:15 PM ---------------------------

ATRIAND@aol.com
04/30/99 02:53 PM

To: Jonathan Weiss@ovp@eop
cc:
Subject: REVISED Atlanta EZ Businesses

Jonathon,

To follow is a revised version of the Atlanta Empowerment Zone Businesses.

Please contact me at 404-853-7485 with questions or concerns.

Joseph Reid

Executive Director
Atlanta Empowerment Zone Corporation

Sarah Rosen Wartell
05/01/99 01:39:41 PM

Record Type: Record

To: Lisa Green/OPD/EOP@EOP

cc: jonathan a. kaplan/opd/eop@eop
Subject: Re: REVISED Atlanta EZ Businesses

I would send Gene an email about it, describe it briefly as an FYI, indicate that it is one example of efforts at this around the gov't, that one of your plans over the next few months is to reconvene the interagency coordination group in this area to develop an administraiton wide strategy on secondary market for CD loans, perhaps with components for the FY 2001 budget. Something like that. thanks.

file in securitization CDL

"Cox, Courtland" <ccox@mbda.gov>
04/30/99 08:26:16 AM

Record Type: Record

To: Lisa Green/OPD/EOP

cc: "Wells, Anita" <awells@mbda.gov>
Subject: RE: Securitization of Community Development Loans

Lisa, thanks for the courtesy call and you will be kept abreast of our efforts in California. Anita Wells who has the lead on our securitization efforts will give you a call next week.

-----Original Message-----
From: Lisa_Green@opd.eop.gov [mailto:Lisa_Green@opd.eop.gov]
Sent: Thursday, April 29, 1999 5:47 PM
To: CCOX@mbda.gov
Subject: Securitization of Community Development Loans

It was a pleasure meeting with you yesterday. I look forward to our working together on efforts to securitize community development loans. Per our discussion, I am writing to confirm that we will convene a meeting of the working group sometime in June to kickstart this effort. I would be very interested in any information you or your staff can share with me about prior work in this area. Also, I'd appreciate being added to the distribution list for information about new activities and plans, such as the May 12 event in California. I can be reached at 456-2803 and my fax number is 456-2223. Take care.

Sarah Rosen Wartell
05/01/99 01:39:41 PM

Record Type: Record

To: Lisa Green/OPD/EOP@EOP

cc: jonathan a. kaplan/opd/eop@eop

Subject: Re: REVISED Atlanta EZ Businesses

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- Ca securitization - EDM Teams_memo.doc

Milken Institute

Interoffice Memo

Date:	May 12, 1999
To:	EDM (Emerging Domestic Markets) Working Group
Cc:	Don Straszheim, Skip Rimer, Caloryn Wagner, Debbie Jordan
From:	Glenn Yago, Ph.D.

Thank you for your participation in yesterday's meeting of the Emerging Domestic Markets Working Group. We will contact you soon to set up conference calls for each of the teams we established. For your convenience, please find attached a list of the various teams. Do not hesitate to call Rebecca Ford at 310-998-2699 or me at 310-998-2640 with any questions or changes.

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Native American:

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Anita Cooke Wells, MBDA

Emerging Domestic Markets

California Demonstration Securitization Project

Minority businesses represent an "emerging" and largely untapped domestic market that historically has been under-served and constrained by inadequate capital access. Such capital access is a prerequisite for increased participation in the mainstream economy.

The problems faced by minority entrepreneurs in obtaining capital to start and grow their businesses were addressed in a February 1999 policy brief based on the discussions of the U.S. Department of Commerce Capital Access Task Force. The brief, "Mainstreaming Minority Business: Financing Domestic Emerging Markets," supported an overall strategy for increasing the degree of liquidity and capital access in emerging domestic markets by pooling and securitizing small business loans that are guaranteed or otherwise enhanced under existing government programs, and reselling these loans on the secondary market. This policy would be effected by developing securitized Collateralized Loan Obligations (CLOs) from a pool of minority business loans and establishing Special-Purpose Vehicles (SPVs) to implement a secondary market for the CLOs. The SPVs would administer pools of small business loans purchased from lending institutions and would promote credit enhancement through a Credit Reserve Fund (CRF) that insures the loan pools against default and prepayment risk. The loans would be repackaged for resale to private investors. Additionally, new initiatives for developing venture equity/mezzanine capital for domestic emerging market firms need also to be developed.

At the request of the Department of Commerce, Minority Business Development Agency, the State Treasurer of California and the leadership of the California State Assembly and Senate, a working group was formed to create a demonstration project implementing this policy in the State of California. The working group consists of representatives of the U.S. Department of Commerce and the California Treasurers Office; members of major foundations, investment banks and law and accounting/management consulting firms; and other individuals with experience and authority in the field of domestic capital markets.

At its March 1999 meeting, the working group identified a number of government assisted loan programs associated with loan pools that may prove suitable for the loan securitization project. The existing programs identified as most feasible for this purpose are:

- SBA Section 7(a) Loans. Loans partially guaranteed by the Small Business Administration. An active secondary market already exists for the guaranteed portion of these loans. Recently, some finance companies have begun selling the unguaranteed portion (generally 15-25%) as well.

- SBA Section 8(a) Contract Receivables. Companies owned by minority/ disadvantaged entrepreneurs can be certified by the SBA as eligible for preferential federal procurement opportunities. The receivables on these contracts are eligible for securitization. State, county and municipal receivables, as well as loans associated with the subordinate debt of these frequently undercapitalized businesses, should also be considered. Securitization in this area could enhance working capital loans for these businesses.

- CalCAP. This is a California State loan portfolio insurance program which assists small businesses in obtaining loans through banks. For eligible businesses, CalCAP matches loss reserve account premiums paid by borrowers and lenders on loans.

- Community Development Lending Programs. CD lenders are public agencies and nonprofit organizations that use government funds to make loans to under-served borrowers. The Los Angeles Mayor's office is exploring data necessary for pooling community development lenders.

- Native Americans Projects and CALBIDCO, Indian and Minority Business co-venture. A number of prospective projects can be identified in these areas including housing, resources, hotel and IPP development.

As a tool for determining which of these programs offers the best chance for early securitization success, the working group identified a number of desirable attributes for a pool of loans to be securitized:

- Small number of sellers. The smaller the number of lenders from whom loans are purchased, the fewer complications in structuring and pricing a deal.

- Good performance history for both seller and assets. The portfolio should have a low or, at least, reasonable default history and the lender should have sound underwriting policies and demonstrated loan servicing capability.

- Many loans to different types of borrowers. From a rating agency's point of view, risk is reduced by a large and diverse pool of loans.

- An outstanding principal balance of more than $50 million. There may be loans that do not meet the screening criteria established. Therefore, it would be best if the overall pool of loans is larger than $50 million.

- No thorny legal or regulatory issues. Regulatory barriers should be identified and addressed. However, structures and transactions that require extensive agency approvals beyond that which has been secured should be avoided.

- History and Management of Seller. The lender who sells the loans should be an established originator with at least three years experience in originating loans of the type to be sold. The management of the seller should be stable and well experienced.

- Adequate Spread over Cost of Funding. Loans which generate at or above market rates of interest are excellent candidates for securitization. Loans priced at below market rates are difficult to securitize since expenses and the costs of funding the securitization may exceed the return on the loans.

In order to facilitate implementation of this program, the working group is currently gathering information regarding the targeted community lending programs. We appreciate your help in this information gathering effort.

Glenn Yago, Ph.D.
Director of Capital Studies
Milken Institute
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April 28, 1999

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[001]

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Sarah Rosen Wartell
05/06/99 08:38:31 PM

Record Type: Record

To: Lisa Green/OPD/EOP@EOP

cc:

Subject: Domestic Emerging Markets

we should talk about this guy at leisure. you should contact/

---------------------- Forwarded by Sarah Rosen Wartell/OPD/EOP on 05/06/99 08:38 PM ---------------------------

gyago@milken-inst.org
05/06/99 04:17:15 PM

Please respond to gyago@milken-inst.org

Record Type: Record

To: Sarah Rosen Wartell/OPD/EOP

cc:

Subject: Domestic Emerging Markets

Sarah,
It's been a while since my visit to your NEC meeting.

You may have received all this from DOC, but I thought you'd be interest in the considerable interest our report generated in California where things are moving ahead on assessing feasibility of demonstration projects that engage a private-public partnership.

FYI. See attachment below.

Hope we get a chance to catch up sometime soon.

With every best wish,

Glenn Yago

- Emerging Domestic Markets1.doc

Emerging Domestic Markets

California Securitization Demonstration Project

Minority businesses represent an "emerging" and largely untapped domestic market that historically has been under-served and constrained by inadequate capital access. Such capital access is a prerequisite for increased participation in the mainstream economy.

The problems faced by minority entrepreneurs in obtaining capital to start and grow their businesses were addressed in a February 1999 policy brief based on the discussions of the U.S. Department of Commerce Capital Access Task Force. The brief, "Mainstreaming Minority Business: Financing Domestic Emerging Markets," supported an overall strategy for increasing the degree of liquidity and capital access in emerging domestic markets by pooling and securitizing small business loans that are guaranteed or otherwise enhanced under existing government programs, and reselling these loans on the secondary market. This policy would be effected by developing securitized Collateralized Loan Obligations (CLOs) from a pool of minority business loans and establishing Special-Purpose Vehicles (SPVs) to implement a secondary market for the CLOs. The SPVs would administer pools of small business loans purchased from lending institutions and would promote credit enhancement through a Credit Reserve Fund (CRF) that insures the loan pools against default and prepayment risk. The loans would be repackaged for resale to private investors. Additionally, new initiatives for developing venture equity/mezzanine capital for domestic emerging market firms need also to be developed.

At the request of the U.S. Secretary of Commerce, the State Treasurer of California and the leadership of the California State Assembly and Senate, a working group was formed to create a demonstration project implementing this policy in the State of California. The working group consists of representatives of the U.S. Department of Commerce and the California Treasurers Office; members of major foundations, investment banks and law and accounting/management consulting firms; and other individuals with experience and authority in the field of domestic capital markets.

At its March 1999 meeting, the working group identified a number of government assisted loan programs associated with loan pools that may prove suitable for the loan securitization project. The existing programs identified as most feasible for this purpose are:

- SBA Section 7(a) Loans. Loans partially guaranteed by the Small Business Administration. An active secondary market already exists for the guaranteed portion of these loans. Recently, some finance companies have begun selling the unguaranteed portion (generally 15-25%) as well.

- SBA Section 8(a) Contract Receivables. Companies owned by minority/ disadvantaged entrepreneurs can be certified by the SBA as eligible for preferential federal procurement opportunities. The receivables on these contracts are eligible for securitization. State, county and municipal receivables, as well as loans associated with the subordinate debt of these frequently undercapitalized businesses, should also be considered. Securitization in this area could enhance working capital loans for these businesses.

- CalCAP. This is a California State loan portfolio insurance program which assists small businesses in obtaining loans through banks. For eligible businesses, CalCAP matches loss reserve account premiums paid by borrowers and lenders on loans.

- Community Development Lending Programs. CD lenders are public agencies and nonprofit organizations that use government funds to make loans to under-served borrowers. The Los Angeles Mayor's office is exploring data necessary for pooling community development lenders.

- Native Americans Projects and CALBIDCO, Indian and Minority Business co-venture. A number of prospective projects can be identified in these areas including housing, resources, hotel and IPP development.

As a tool for determining which of these programs offers the best chance for early securitization success, the working group identified a number of desirable attributes for a pool of loans to be securitized:

- Small number of sellers. The smaller the number of lenders from whom loans are purchased, the fewer complications in structuring and pricing a deal.

- Good performance history for both seller and assets. The portfolio should have a low or, at least, reasonable default history and the lender should have sound underwriting policies and demonstrated loan servicing capability.

- Many loans to different types of borrowers. From a rating agency's point of view, risk is reduced by a large and diverse pool of loans.

- An outstanding principal balance of more than $50 million. There may be loans that do not meet the screening criteria established. Therefore, it would be best if the overall pool of loans is larger than $50 million.

- No thorny legal or regulatory issues. Regulatory barriers should be identified and addressed. However, structures and transactions that require extensive agency approvals beyond that which has been secured should be avoided.

- History and Management of Seller. The lender who sells the loans should be an established originator with at least three years experience in originating loans of the type to be sold. The management of the seller should be stable and well experienced. enough.?

- Adequate Spread over Cost of Funding. Loans which generate at or above market rates of interest are excellent candidates for securitization. Loans priced at below market rates are difficult to securitize since expenses and the costs of funding the securitization may exceed the return on the loans.

In order to facilitate implementation of this program, the working group is currently gathering information regarding the targeted community lending programs. We appreciate your help in this information gathering effort.

Glenn Yago, Ph.D.
Director of Capital Studies
Milken Institute
gyago@milken-inst.org
(310) 998-2640
April 28, 1999

Selection Grid for Securitization Demonstration Projects

	CalCap	8(a)	7(a)	Native American	CD Lenders
• Sellers (names/#) • Seller History/ Management • Outstanding balance of loans • Number of loans • Loan performance history • Lender servicing and underwriting • Adequate Spread Over Cost of Funding • Regulatory issues					

Figure 7

Potential Secondary Market Issues

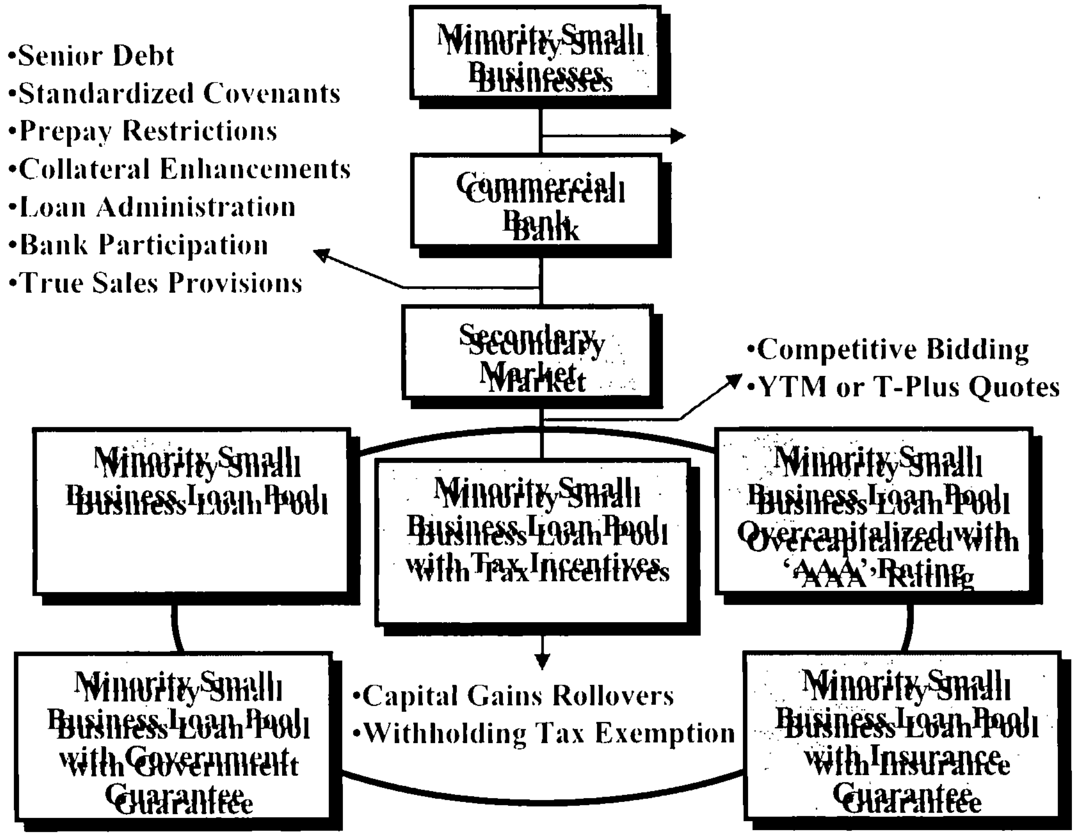
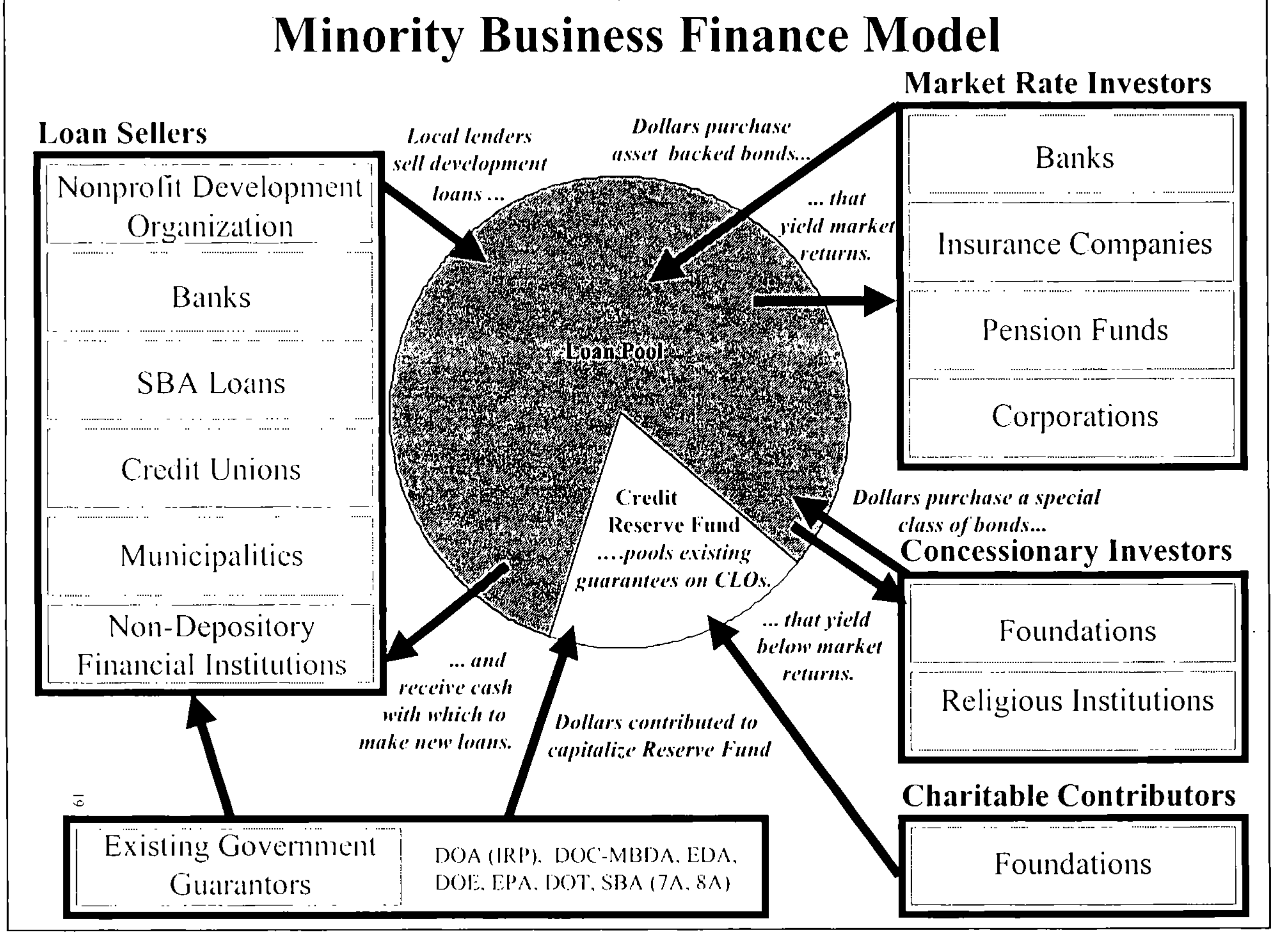


Figure 8


Minority Business Finance Model
Loan Sellers
Nonprofit Development Organization
Banks
SBA Loans
Credit Unions
Municipalities
Non-Depository Financial Institutions
Local lenders sell development loans ...
Dollars purchase asset backed bonds...
... that yield market returns.
Loan Pool
Credit Reserve Fund ....pools existing guarantees on CLOs.
Market Rate Investors
Banks
Insurance Companies
Pension Funds
Corporations
Dollars purchase a special class of bonds...
Concessionary Investors
Foundations
Religious Institutions
... that yield below market returns.
... and receive cash with which to make new loans.
Dollars contributed to capitalize Reserve Fund
Charitable Contributors
Foundations
Existing Government Guarantors
DOA (IRP), DOC-MBDA, EDA, DOE, EPA, DOT, SBA (7A, 8A)
19

Seruntyotiv

PHILIP ANGELIDES

Treasurer of the State of California

FAX TRANSMITTAL

DATE: Friday, June 18, 1999 NO. OF PAGES: 05
(Including Cover Page)

TO: Lisa Green

FROM: Kristin Faust / Anita McCullom
(916) 653-0252

FAX NO.: (202) 456-2223

MESSAGE:

915 Capitol Mall Sacramento, CA 95814 (916) 653-2995
(916) 653-3125 Fax

PHILIP ANGELIDES
Treasurer
State of California

June 18, 1999

Ms. Lisa Green, Senior Advisor
National Economic Council
1600 Pensylvania Avenue
Washington, DC 20502

Dear Lisa Green:

You are cordially invited to a forum on the securitization of small business/economic development loans to be held Wednesday, July 7 at the Federal Reserve Bank of San Francisco (in SF) from 8:00 a.m. to 4:30.

The forum is sponsored by the Federal Reserve of San Francisco, The California State Treasurer's Office, The California Department of Financial Institutions, COIN, a program of the California Insurance Commissioner's office, and The Milken Institute.

The one-day forum is invitation only. We are limiting it to 80 participants who have an active and knowledgeable interest in the securitization of these loans. We expect to have a mix of people and institutions who are active in the originating, selling, buying, structuring, credit enhancing, rating and promotion of loans that promote economic development in California. In the morning you will hear from experts in the field of economic development loan securitization. In the afternoon we will have participatory working sessions. Our goal is to end the day with working models/structures for securitizing different types of economic development loans in a way that is profitable for all the participants. Our overall goal, of course, is to get more capital to individual small business owners and communities who have lacked good access to capital in the past.

The mortgage backed securities market was a fledgling industry 10 years ago. Now it is a multi-billion dollar market. We are optimistic that the same evolution can happen for the small business loan market.

The agenda is attached. Could you please e-mail me acknowledgement of your participation at kfaust@treasurer.ca.gov by **Wednesday, June 23?** (I apologize for the short notice.) If you prefer to call, I can be reached at (916) 653-3354 or you can talk to Anita my assistant, at (916) 653-0252. When you confirm, please identify which of the afternoon breakout sessions you would like to attend: 1) Bank loans, particularly

CALCAP; 2) SBA 7a Loans - the unguaranteed portion; or 3) Small business revolving loan funds.

This should be an exciting day with leading thinkers and practitioners in banking, structured finance, investment banking, and economic development. Please join the Fed Reserve, the State Treasurer, COIN, the Acting Commissioner of Financial Institutions, and the Milken Institute as together we develop the mechanisms to prime the market to get Wall Street capital into our neighborhoods.

Respectfully,

Kristin Faust

Kristin Faust
Chief Deputy Treasurer

-A FORUM ON-
ECONOMIC DEVELOPMENT LOAN SECURITIZATION IN CALIFORNIA

Wednesday July 7, 1999
Federal Reserve Bank of San Francisco

AGENDA
(updated 6/11/99)

8:00 – 8:15 am	**Continental Breakfast**
8:15 – 8:30 am	**Opening Remarks** *Joy H. Molloy, Federal Reserve Bank of San Francisco*
8:30 - 9:00 am	**Setting the Context** *Philip Angelides, California State Treasurer* Treasurer Angelides will discuss his beliefs in directing capital to underserved areas of California with an emphasis on securitization of small business loans and similar products. He will also cover: Why this topic is important, why now, and what's the purpose in having banking, insurance and other CD organizations represented at this forum.
9:00 – 9:15 am	**Review of the Day's Objectives** *Michael Gunning, California Organized Investment Network (COIN)*
9:15 – 10:15 am	**The History of Small Business Securitization in California** In a "talk show" format, this panel will discuss the history and evolution of the securitization effort in California. Focusing on the story of "how we got where we are," notable leaders in the securitization industry will set the stage for the rest of the day's work. • *Wayne Schell, California Association of Local Economic Development* • *Frank Altman, Community Reinvestment Fund* • *Paul Pryde, Capital Access Group* • *Moderator/Host: Jack Richards, Federal Reserve Bank of San Francisco*
10:15 – 10:45 am	**Break**
10:45 - 11:30 am	**Current Studies and Research** This session will introduce three pieces of current, California-based research: a) **The O'Brien Study:** results and recommendations of newly released study commissioned by California's Department of Trade & Commerce b) **The California RLF Profile:** a project of the Counting on Local Capital initiative sponsored by Corporation for Enterprise Development (CFED) c) **The Milken Institute:** current model development and status of research

Current Studies and Research *(cont.)*

- *Larry Richardson, Lee & Mason Financial Services (presenting O'Brien study)*
- *Representative TBD, Corporation for Enterprise Development (CFED)*
- *Glenn Yago, The Milken Institute*
- *Moderator: Jan Owens, CA State Department of Financial Institutions*

11:30 – 12:30 pm **Panel Discussion: Real Transactions - Where Are We Now?**
This panel will cover existing securitization vehicles and discuss what's in the pipeline. The session will focus on the nuts & bolts of these transactions, including what worked, what didn't, and where the gaps still exist.

- *Ned Madonia, Community Reinvestment Fund*
- *Calvin Young, California Integrated Waste Management Board*
- *Scott Porter, Imperial Bank*
- *Paul Pryde, Capital Access Group*
- *Moderator/Host: Kristin Faust, CA State Treasurer's Office*

12:30 – 1:45 pm **Luncheon with Senator Richard Alarcon, Author of SB 661**
"Community Development Securitization Bill"

1:45 – 3:15 pm **Breakout Sessions / Working Groups**
Facilitated discussions will focus on securitization model refinement and feedback in these specific areas:

- **Bank Loans** (California Capital Access Program - CalCAP)
  Facilitator: Sam Smalls, CA State Treasurer's Office

- **SBA 7a Loans** (Unguaranteed portion)
  Facilitator: Anita Cooke-Wells, U.S. Department of Commerce

- **Small Business Revolving Loan Fund Loans**
  Facilitator: Michael Gunning, California Organized Investment Network

3:15– 3:30 pm **Break**

3:30 – 4:15 pm **Reconvene General Meeting**
Time for report-out from breakouts; discussion of general themes/ feedback from others; next steps and wrap-up.

4:15 – 4:30 pm **Closing Remarks** ***Charles Quackenbush, CA State Commissioner of Insurance***

"Wells, Anita" <awells@mbda.gov>
07/26/99 03:14:56 PM

Record Type: Record

To: Lisa Green/OPD/EOP

cc: "Cox, Courtland" <ccox@mbda.gov>
Subject: New Markets Interagency Working Group

It was good to see you at the meeting last week. Courtland has requested that I represent the Minority Business Development Agency at the Working Group meetings. Would you please add me to the email list for notification of future meetings? My email address is AWells@mbda.gov and my telephone number is 482-3238. I will contact Gay Joslyn to be cleared in for the 7/27 meeting. Thanks.

FU w/ Pete [illegible]

"Wells, Anita" <awells@mbda.gov>
07/27/99 04:56:42 PM

Record Type: Record

To: Lisa Green/OPD/EOP

cc: "Cox, Courtland" <ccox@mbda.gov>
Subject: California Securitization Efforts

Lisa, I wanted to provide you with a brief update of our efforts in California. As I mentioned to you at today's meeting, we are working with a public/private sector Working Group on the following:

1. The California State Treasurer's Office has identified between $100-$200 million in CALCAP loans that it would like to have securitized. These loans were originated by several different financial institutions, including Wells Fargo. Within the next two weeks, the Treasurer's Office will issue an RFP to retain an investment banking firm to manage the bond offering.

CALCAP loans are made through private lenders; the program is a state-sponsored loan portfolio insurance program which assists small businesses in obtaining loans through banks. For eligible businesses, CALCAP matches loss reserve account premiums paid by borrowers and lenders on loans. My best estimate is that this transaction will close on or before December 31.

2. Bank of America has identified approximately $360 million in SBA 7(a) loans (unguaranteed portion) that it would like to securitize. In addition, B of A also is interested in serving as a financial intermediary, pooling the loans of smaller local, regional and community development banks and selling to financial institutions interested in satisfying their Community Reinvestment Act obligations. According to B of A, there is a demand for this type of financial product and, currently, very limited supply. B of A is in the process of completing legal and financial due diligence on its loan pool; I do not have an estimated closing date for this transaction.

3. The Working Group also is exploring the securitization of community development and micro loans. The Federal Reserve Bank of San Francisco is interested in driving this process and co-sponsored a conference, in conjunction with the State Treasurer, California Department of Insurance, California Department of Financial Institutions and the Milken Institute, on July 7th to explore the possibilities. Currently, the Working Group has identified $23 million in loans through the Santa Cruz Credit Union that can be securitized; however, we believe any offering would need to be at least $50 million to interest the institutional market (our target investors). The Working Group currently is in the process of identifying

another $30 million in community development loans that can be securitized.

As we have discussed, the California Treasurer is very committed to this concept and is actively promoting securitization. In addition, the California State Legislature in 1997 authorized a feasibility study on ways of stimulating the creation of a secondary market for community and economic development revolving loan funds. The purpose of a secondary market would be to provide a source of recapitalization for loan funds through private sector investment and independent of government funding. As a result, the State has issued a very comprehensive study on the necessary steps to create such a market and the ideal structure.

I look forward to discussing these projects with you. I will try to reach you Wednesday evening; if there is an especially convenient time, please call or email me. Thanks.

"Wells, Anita" <awells@mbda.gov>
07/27/99 04:56:42 PM

Record Type: Record

To: Lisa Green/OPD/EOP

cc: "Cox, Courtland" <ccox@mbda.gov>
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Secondary markets

Sarah Rosen Wartell
09/13/99 08:50:46 AM

Record Type: Record

To: Lisa Green/OPD/EOP@EOP

cc:

Subject: Re: Securitizing Community Development Loans

Here's the list. Let's talk about what has been done and a few of the wrong directions \ folks are going in before the meeting. We talked about this as "Secondary Markets for CD" -- to incorporate tools or roles beyond securitization, although that's what it amounts to.

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Andrew Bershadker 622-4981-622-0605 fax
Edith Brashares 622-1784 - 622-1772 fax
Xavier Briggs 708-4230 - 708-3141 fax
Frederick Eggers 708-3080- 619-8000fax
Millicent Hodge 401-1353 - 205-7423 fax
Courtland Cox 482-5061 - 501-4698 fax
Phil Singerman 482-5081 - 273-4781 fax
Melanie Cook 482-8370 - 482-4191 fax
Arthur Campbell 720-4581 720-2080 fax
Jonathan Orszag

Christa Straub