

California Vendors Policy Committee
Standards and Procedures Subcommittee Report
3/2/2006

SB 87 REPORT VENDOR LOANS

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Tri Counties Bank

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HISTORY

For years blind vendors enjoyed free interest loans from the trust fund. Repayment for these loans was done solely by Department of Rehabilitation (DOR). Vendors filled out applications to the Department, DR 471 given promissory note DR 472 and reported payments on DR 478, revised 1992, all are attached. The Department of Rehabilitation initiated and was able to amend the Welfare and Institutions Code eliminating interest free blind vendor stock loans. For several years this caused some vendors unequal abilities to compete for larger facilities, do to lack of proper collateral. A Southern California vendor approached Senator Soto, who was successful in reversing the ability for loans through Senate Bill 87. This bill became law Welfare and Institution Code 19630.5 (see attached) For about 5 years \$100,000.00 has been collecting interest while waiting for a loan program to be re-implemented. Two committees ago CVPC passed on their recommendations to the Deputy Director of Blind Field Services. To date, Business Enterprises Program (BEP) has not re-instituted a blind vendor loan program.

ACCESSIBILITY LOANS

Presently, American River Bank (ARB) makes “accessibility” loans that are guaranteed by DOR. Any disabled person may apply. These loans are for work related accessibility or transportation only. Through Federal funds the DOR is able to buy down the interest rate to 2% for borrowers. There are no document fees, only principle and interest payments. Applicants are required to fill out loan application, sign release of information to Bank, and authorize reverse information from Bank to DOR. See documents attached. Approximately 60 loans have been granted, with 6-10 defaults since the programs inception. ARB gives DOR a monthly list of payments by borrowers. DOR accessibility loans personnel assist the Bank with keeping borrowers current. Defaults are avoided as much as possible, and may be considered after loans are 60 days delinquent. Accessibility equipment may be repossessed and sold to satisfy balance of loan.

POSSIBLE RIVER CITY BANK PLAN

I approached Bank of America, Wells Fargo and Tri Counties Bank about doing collections for a new Blind Vendor loan program. All of these three lending institutions said that it would take a million dollars or more before they would be interested in a lending program. I then was put in contact with Lending officer Kathe (pronounced Kata) with River City Bank. She explained had originally worked with Bari Schlesinger (DOR) on a possible program for transportation loans. Preliminary proposal from her was a \$50.00 documentation fee with minimal interest such as prime and State funds of \$106,000.00 would lonely be touched if a loan default occurs. We discussed blind vendors would need verification for loans by BEP or CVPC, with a blind vendors notarized signature before lending, including oath of "Patriot Act". A check and payment could be mailed directly to vendor by overnight mail service.

CONCLUSION

DOR/BEP regulations for blind vendor loans still exist. (See attachment) Because of the existing Welfare and Institution Code 19630.5 and DOR Regulations 7219, it is unclear whether a plan using a Lending institution for the collections of blind vendor loans is possible. It would appear such a plan would lessen BEP's responsibility and possibly encourage more accountability for loans by vendors. Additionally, a guaranteed loan program may stretch funding available, because State funds would only be touched in the event of defaults. Before CVPC continues to pursue a vendor loan program, other than one completely administrated by DOR, the Committee will need verification from a legal source to change BEP's responsibility.