

**APPLICANT CRITERIA FOR ARB'S HEAVY-DUTY VEHICLE  
AIR QUALITY LOAN PROGRAM**

*November 6, 2008, Public Workshop*

- Key legislation for ARB's proposed on-road heavy-duty vehicle air quality loan program
  - **AB 118** (Chapter 750, Statutes of 2007): establishes ARB's Air Quality Improvement Program (AQIP), which funds ARB's loan program through one-time 2008-2009 FY State budget appropriation of ~\$48 million
  - **AB 109** (Chapter 313, Statutes of 2008): expands AQIP to include revolving loans, loan guarantees, or other appropriate funding measures
  - **AB 1338** (Chapter 760, Statutes of 2008): prescribes basic criteria for ARB's loan program
  
- AB 1338 designates air quality loan program to provide financial assistance to truck owners for early compliance with two ARB regulatory proposals:
  - Proposed Statewide In-Use Truck and Bus Rule  
<http://www.arb.ca.gov/regact/2008/truckbus08/truckbus08.htm>
  - Proposed Heavy-Duty Vehicle GHG Emission Reduction Measure  
<http://www.arb.ca.gov/regact/2008/ghghdv08/ghghdv08.htm>
  
- Priority applicant is "nearly-bankable" fleet owner unable to obtain affordable financing in today's tight credit market; high-risk applicants are not eligible

APPROXIMATE CREDIT RISK*								
Credit Risk	FICO	Bankruptcy or Collection	Delinquent by 30 days	Delinquent by more than 60 days	Number of Years in Business	Loan-to-value of collateral (%)	Debt-to-income ratio (%)	Debt-to-worth ratio
GOOD	>700	N	N	N	>5	<70	<30	1:1
NEARLY BANKABLE	620-680	N	Y	N	<3	71-80	31-60	3:1
POOR	<600	Y	Y	Y	<3	>80	>60	>3:1

- As required by AB 1338, air quality loan program funds will be prioritized to:
  - Small fleets (<3 vehicles); and/or
  - Fleet owners demonstrating financial hardship; and/or
  - Short-haul trucks, including those that cross State or federal borders where there are significant air pollution impacts
  
- ARB evaluating concept to allow fleets under a certain size (e.g., fleets with <10 vehicles) to meet the "financial hardship" criterion

\*This table illustrates the portion of the credit risk spectrum on which the loan program intends to focus. The actual loan evaluation process will be dependent on the respective underwriting policies of the participating financial institutions.