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# Access to Financial Assistance

A frequent obstacle to minority and small business expansion and growth is the lack of capital. The Minority Business Development Division administers the following loan and bond programs that promote the growth and establishment of minority and small enterprises in Ohio.

- **Minority Business Bonding Program** – provides surety bonds up to \$1,000,000 to approved state certified minority businesses.
- **Minority Direct Loan Program** - provides funding up to \$1,500,000 for eligible projects like land, building, machinery or equipment at rates as low as 3% interest for the state's portion of the loan.
- **SSBCI Collateral Enhancement Program** - provides lending institutions with cash collateral deposits to use as additional collateral support for loans made to eligible small businesses.
- **SSBCI Ohio Capital Access Program** - can provide funding up to \$350,000 for land, building, machinery or equipment...or...it can also fund working capital needs such as inventory or payroll up to \$250,000.



# Minority Business Bonding Program

Minority Business Bonding Program provides bid / guaranty and performance bonds to Certified Minority Businesses (MBEs) to help increase contracting opportunities with private, local, state, and federal entities.

- Bonds are administered under a bonding line.
- The maximum bonding line is \$1,000,000.
- Bonding lines expire after 12 months and can be renewed.
- There is 2% premium for each bond requested under the approved line.
- There is no application fee.
- There is no job retention / creation ratio.
- Working capital line of credit required for at least 20% of the requested amount.
- Bonding lines are recommended for approval on the fourth Tuesday of every month by the Minority Development Financing Advisory Board. State Controlling board approval is required.
- The typical turnaround time is 45-60 days from application to final approval.



# Minority Business Bonding Program

## BENEFITS:

- Opportunity to bid on projects as a general / prime contractor.
- Availability to bid or have more than one project at a time.
- Short turn around time for bond issuance once bonding line is approved.
- Opportunity to renew and increase bonding line if needed.



# Minority Business Bonding Program

## IDEAL CANDIDATE:

- Construction, Manufacturer, Provider of Goods and Services to organizations requesting bonding
- One year of experience completing contracts
- Access to working capital
- Planning to bid on contracts within the next 60-90
- Taxes and Financials are current.



# Minority Business Direct Loan Program

Minority Business Direct Loan is to assist Certified Minority Business (MBE's) with the financing of Land, Buildings, Renovations, Machinery, and Equipment.

- The Direct Loan can finance up to 75% of eligible project costs.
- A minimum equity injection of 10% is required by the borrower. A private lender might be required.
- The minimum loan amount is \$45,000. The maximum loan amount is \$1,500,000
- The typical rate is fixed at 3.00%.
- The term of the Direct Loan cannot exceed 10 years for equipment and 15 years on real estate.
- Shared first or second mortgage positions.
- The Direct Loan has job creation / retention ratio of \$35,000 per job created or retained.
- There is a \$300 application fee and a 1.5% commitment fee upon controlling board approval
- Direct Loans are recommended for approval on the fourth Tuesday of every month by the Minority Development Financing Advisory Board. State Controlling board approval is required prior to project commencement.



# Minority Business Direct Loan Program

## BENEFITS:

- 1) 3% Fixed Rate – Lower than typical bank financing
- 2) Up to 15 Year Fixed Rate for Owner Occupied Property – typical bank financing rates are fixed for 5 years and tied to Prime or LIBOR.
- 3) Up to 10 Year Fixed Rate for Equipment – typical bank financing is 5-7 years for equipment.



# Minority Business Direct Loan Program

## IDEAL CANDIDATE:

- Construction, Manufacture, Goods and Services
- Planning for growth over the next 6-12 months.
- Plans to purchase owner occupied property and/or equipment.
- Able to demonstrate repayment from historical and projected cash flow.
- Taxes and Financials are current.



# State Small Business Credit Initiative Collateral Enhancement Program (CEP)

- CEP supplies pledged money market accounts to lending institutions to cover collateral shortfalls of individual small business loans.
- Money market accounts reduce proportionately with the principal reduction of the small business loans on an annual basis
- Used to offset losses a Lender incurs after loans default and liquidation



# CEP Program Mechanics

- Loan Limits
  - \$5 million maximum fixed assets and working capital
  - \$35,000 minimum working capital (line of credit)
- Cash Collateral Deposit Limits
  - \$500,000 fixed asset
  - \$500,000 working capital
- Cash Collateral Deposit Percentage
  - Up to 30% of loan amount
  - Up to 50% of loan amount for certified minority-owned businesses (not in a restaurant, food truck or franchise operation)
  - Up to 15% for restaurants, food trucks and franchises



# CEP Program Mechanics

- Loan Terms and Conditions:
- CEP length
  - Maximum length of the CEP deposit or allocation is 5 years
  - **One CEP deposit/allocation per borrower within a twelve month period**
- Loan length
  - Maximum term for a real estate loan is 15 years
  - Maximum term for equipment loans is 7 years
  - Maximum term for short-term working capital LOC is one year and can be renewed for no more than two additional years: can apply again for one year and two renewals
- Interest rate
  - Determined by Lender



# CEP Program Mechanics

- Borrower Requirements
  - Pays 2% of the Cash Collateral Deposit at closing
  - 10% equity in the project (on purchases and renovations)
  - Minimum 1.2:1 debt coverage ratio
  - Pays other Lender application and closing costs
  - Job creation or retention (\$50,000 CEP deposit for 1 FTE job)
  - Must be a for profit Ohio business with less than \$20 million in gross revenue and under 250 employees



# CEP – Eligible Use of Proceeds

- Commercially zoned real estate purchase, renovations, refinancing (owner occupied or holding company)
- Equipment (new or used)
- Working capital
- Leasehold improvements
- Inventory
- Rolling stock
- Refinancing of another financial institution's eligible (original) business debt
- Start- up costs
- Franchise financing (A/R, fixed assets, fees)
- Other business purposes



# CEP – Ineligible Use of Proceeds

- Refinancing current Lenders' existing debt
- Placing under the protection of the CEP prior debt that is not covered under the CEP and that is or was owed by the borrower to the Lender or to an affiliate of the Lender.
- Financing a change of business ownership (intangibles)
- Reimbursement of funds owed to any owner
- Repaying delinquent state or federal withholding taxes
- Financing a non-business purpose
- Enhancing the unguaranteed portion of an SBA or other federally guaranteed loan
- Loans that cannot demonstrate a collateral shortfall
- Loans where the Lender has less than 20% risk exposure



# CEP – Eligible Businesses

- Corporations, partnerships, LLCs, and sole proprietorships
- Fewer than 250 employees
- Job creation or retention
- Revenues equal to or less than \$20 million
- Ohio Businesses
- New or existing businesses
- **Restaurant and franchises if majority owner has at least two recent years of restaurant management and in the case of a franchise, has operated a franchise in the last two years**



# CEP – Ineligible Businesses

- Real Estate Investment
- Speculative activities
- Lending or leasing activities
- Pyramid sales
- Illegal activities
- Gambling activities
- Charitable institutions
- Religious institutions
- Consumer and marketing
- Churches
- Other nonprofits
- Principal convicted of sex offense against a minor
- Businesses whose principal is an executive officer, director, or principal shareholder of the lender; or a member of the immediate family of an executive officer, director, or principal shareholder of the lender; or a related interest of an such executive officer, director, principal shareholder, or member of the immediate family



# CEP Activity

- \$3 million of the original funding still available
  - 357 loans
  - \$38.5 million in CEP deposits
  - \$156.37 million in loans
  - 41 Financial Institutions (Banks, CDFI & Credit Unions)
  - Fifth Third Bank leading amount of CEP Cash deposit / allocations
  - Economic & Community Development Institute (ECDI) leading number of CEP deposits / allocations



# State Small Business Credit Initiative (SSBCI) Ohio Capital Access Program (OCAP)

- ❖ Loan portfolio insurance program for Lenders
- ❖ Assists small businesses (for profit and non profit) to obtain credit for growth
- ❖ Since 2002, the OCAP has enrolled more than 1,080 loans
- ❖ Borrower contributes 1.5% to 3% of a loan into a Reserve Fund, held by the Lender
  - Lender matches borrower's contribution
- ❖ OCAP also sends a state contribution to the Reserve Fund
  - ❖ State contribution is 10% of the loan amount (80% if an MBE)
- ❖ OCAP reserve fund is available to cover losses on any loan in the Lender's OCAP portfolio



# State Small Business Credit Initiative (SSBCI) Ohio Capital Access Program (OCAP)

## Criteria:

- ❖ Lines of credit, fixed asset financing, and refinancing
- ❖ \$350,000 maximum for fixed asset financing
- ❖ \$250,000 maximum for working capital
- ❖ Maximum term for a real estate loan is 15 years
- ❖ Maximum term for equipment loans is seven years
- ❖ Maximum term for short-term working capital loan is one year
- ❖ Interest rate is determined by Lender
- ❖ Borrower Requirements
  - ❖ Must create or retain jobs as a result of the OCAP loan
  - ❖ Pay Lender's normal application and closing costs
  - ❖ Must be an Ohio business with less than \$10 million in gross revenue and under 250 employees
  - ❖ For profit and non-profit businesses



# OCAP – Eligible Use of Proceeds

- Real estate purchase, renovations
- Equipment (new or used)
- Working capital
- Leasehold improvements
- Inventory
- Rolling stock
- Refinancing of another financial institution's debt
- Start- up costs
- Franchise financing
- Other business purposes



# OCAP – Ineligible Use of Proceeds

## Ineligible Use of Loans:

- ❖ Refinancing current Lenders' existing debt
- ❖ Partial change of business ownership (buyouts)
- ❖ Reimbursement of funds owed to any owner
- ❖ Repaying delinquent state or federal withholding taxes
- ❖ Financing a non-business purpose
- ❖ Enhancing the unguaranteed portion of a Small Business Administration or other federally guaranteed loan
- ❖ Residential purchase, construction or development
- ❖ Passive real estate investment



# State Small Business Credit Initiative (SSBCI) Ohio Capital Access Program (OCAP)

## Participating Lenders:

- ❖ Citizens Savings Bank
- ❖ Citizens National Bank
- ❖ Farmers & Merchants Bank
- ❖ Farmers National Bank
- ❖ First Bexley Bank
- ❖ First Financial Bank
- ❖ First National Bank of Pandora
- ❖ Heartland Bank
- ❖ Huntington Bank
- ❖ Lorain National Bank
- ❖ Park National Bank
- ❖ Richland Bank
- ❖ Security National Bank
- ❖ Unity Bank



# Program Comparison

## • CEP

- For-profit entities only
- \$5 million loan amount max
- \$35,000 minimum working capital
- Must document shortfall
- Incentives for MBEs with State or MSDC certifications
- Job creation/retention ratio (\$50,000 CEP deposit for 1 job)
- Borrower revenue maximum \$20 million
- Deposit/allocation is for a single loan

## • OCAP

- Nonprofit and for-profit entities
- \$350,000 maximum loan for fixed assets; maximum \$250,000 for working capital – no minimums
- Incentives for state certified MBE only
- No job creation/retention ratio
- Borrower revenue maximum \$10 million
- Deposits are pooled



**Ohio**

**Development  
Services Agency**

State Small Business Credit Initiative

Collateral Enhancement Program

Ohio Capital Access Program

[www.SSBCL.development.ohio.gov](http://www.SSBCL.development.ohio.gov)

Minority Business Direct Loan Program

Minority Business Bonding Program

[www.Ombdlp.development.ohio.gov](http://www.Ombdlp.development.ohio.gov)

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OHIO'S ALTERNATIVE



OHIO DEPARTMENT OF  
TRANSPORTATION  
DIVISION OF OPPORTUNITY, DIVERSITY, AND INCLUSION