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Access to Financial Assistance

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 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 million to approved state-certified minority businesses.
- **Minority Direct Loan Program** – provides funding up to \$1.5 million for eligible projects such as land, building, machinery, or equipment purchases at rates as low as 3% interest for the state's portion of the loan.
- **Collateral Enhancement Program** – provides lending institutions with cash collateral deposits to use as additional collateral support for loans made to eligible small businesses.
- **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.

Access to Financial Assistance

The Ohio Department of Development through the Minority Business Development Division, launched two new loan programs at the end of September 2021, to help minority- and women-owned businesses obtain needed capital. Specifically for businesses who often have difficulty getting loans from traditional banks.

Ohio Micro-Enterprise Loan Program – Helps stimulate the growth of new and existing MBE and WBE businesses with micro-loans at 0% interest. The minimum loan is \$10,000 up to a maximum of \$45,000.

Women's Business Enterprise Loan Program – Provides loans to women-owned businesses at or below market rate, currently up to 3%. The minimum loan is \$45,000 up to a maximum of \$500,000.

Minority Business Bonding Program

The 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 million.
- 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.
- A working capital line of credit is 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 Direct Loan Program

The Minority Business Direct Loan assists certified minority businesses (MBEs) with the financing for 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 \$1.5 million. The typical rate is fixed at 3%.
- The term of the Direct Loan cannot exceed 10 years for equipment and 15 years for 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 state 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.



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 if loans default and liquidation.

CEP Program Mechanics

Loan Terms and Conditions

CEP length

- Maximum length of the CEP deposit or allocation is five years.
- One CEP deposit/allocation per borrower within a 12-month period.

Interest rate

- Determined by lender.

Loan length

- 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 LOC is one year and can be renewed for no more than two additional years. Can apply again for one year and two renewals.

Ohio Capital Access Program (OCAP)

- Loan portfolio insurance program for lenders.
- Assists small businesses (for-profit and nonprofit) to obtain credit for growth.
- Since 2002, 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.

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 fewer than 250 employees.
 - For-profit and nonprofit businesses.

Ohio Capital Access Program (OCAP)

Participating lenders

- Century National Bank
- Fairfield National Bank
- Farmers & Merchant Bank
- Farmers & Merchant State Bank
- First Knox National Bank
- First National Bank of Pandora
- Heartland Bank
- Park National Bank
- Peoples Bank
- Richland Bank
- Security National Bank
- Unified Bank
- United Bank
- Unity Bank

Program Comparison

CEP

- For-profit entities only.
- \$5 million maximum loan amount.
- \$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 Micro-Enterprise Loan Program

- Loans are intended to stimulate the growth of existing businesses.
- Businesses must be certified as either a Minority Business Enterprise (MBE) or a Women-owned Business Enterprise (WBE).
- Minimum loan amount is \$10,000 up to a maximum of \$45,000.
- Interest rate is set at 0%.
- Businesses must be current on federal, state, and local taxes and current on private or publicly financed loans.
- Businesses cannot have defaulted on any previous financial assistance provided by Development.

Ohio Micro-Enterprise Loan Program

- Loan proceeds may be used for working capital, machinery and equipment purchases, leasehold improvements, refinance current business debt, rolling stock and inventory.
- Loan proceeds may not be used for:
 - Repaying delinquent state or federal taxes.
 - Financing residential property, owner-occupied, or investment property.
 - Financing a change of ownership.
 - Reimbursing funds owed to an owner, partner, or shareholder.
 - Financing a non-business purpose.
- Loan repayment is five years for permanent working capital and seven years for equipment.

Women's Business Enterprise Loan Program

- Loans are intended to stimulate the growth of existing women-owned businesses.
- Businesses must be 51% owned and controlled by women or be certified as a Women-owned Business Enterprise (WBE).
- WBE certification is not required but is recommended.
- Minimum loan amount is \$45,000 up to a maximum of \$500,000.
- Interest rate will be up to 3%.
- Businesses must be current on federal, state, and local taxes and current on private or publicly financed loans.
- Businesses cannot have defaulted on any previous financial assistance provided by Development.

Women's Business Enterprise Loan Program

- Loan proceeds may be used for machinery and equipment purchases, leasehold improvements, renovations, refinance business debt, and commercial real estate purchases.
- Loan proceeds may not be used for:
 - Inventory.
 - Operating capital, rolling stock, repaying delinquent state or federal taxes.
 - Financing residential property or investment property.
 - Financing a change of ownership.
 - Reimbursing funds owed to an owner, partner, or shareholder.
 - Financing a non-business purpose.
- Loans repayment in 10 years for equipment and machinery and 15 years for owner-occupied real estate.

Connect With Us

Collateral Enhancement Program

cep.development.ohio.gov

Ohio Capital Access Program

ocap.development.ohio.gov

Minority Business Direct Loan Program

Minority Business Bonding Program

ombdlp.development.ohio.gov

Ohio Micro-Enterprise Loan Program

Women's Business Enterprise Loan Program

minority.ohio.gov

Contact us

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