

OHIO MICRO-LOAN PROGRAM

Program Guidelines

I. Statement of Purpose

The **Ohio Micro-Loan Program**, which shall be referred to as Micro-loan or Program, is a micro-loan program that is designed to stimulate the growth of existing businesses in the state of Ohio at 0% interest rate. The Program is part of the Minority Business Development Division's effort to promote economic development, business expansion, and job creation and/or retention by providing an alternative source of financing to minority- and woman-owned small businesses that otherwise do not have ready access to traditional lending sources.

II. Program Funding

Micro-loans will be funded through the Minority Business Development Division (MBDD) and the Ohio Department of Development (Development).

III. Micro-Loan Parameters

- A. Loan Amount: The maximum loan amount will be \$45,000. The minimum loan amount will be \$10,000. The entire approved loan request will be funded within an estimated 15 business days after closing.
- B. Term: Up to five (5) years for permanent working capital. Up to seven (7) years for equipment. There will be no prepayment penalties.
- C. Interest Rate: 0% interest rate for the full term of the loan, unless the loan becomes in default at which time the default rate will be 8%.
- D. Equity Contribution: No cash equity contribution will be required.
- E. Collateral: A UCC-1 / blanket lien all business assets or other collateral valued at 100% of the proposed loan request will be required where applicable.
- F. Personal Guarantee: Personal Guarantees will be required for any principal with at least 20% ownership in the applicant company.
- G. Fees:
 - 1. Application Fee: **No application fee.**
 - 2. Filing Fees: All filing fees will be the responsibility of the applicant (i.e., UCC's Assignments)
 - 3. Development will not pull personal credit bureau reports.

IV. Eligibility

- A. The applicant must be state level certified, through the Minority Business Development Division as an MBE (Minority Business Enterprise) or a WBE (Woman-owned Business Enterprise).
- B. Loan proceeds will be disbursed electronically. To receive loan proceeds the Borrower will be required to use an existing OH|ID or register for one at OhioPays.Ohio.gov and ensure current bank account information is provided.
- C. The applicant, including the business and its principals cannot be delinquent or in default on federal, state, or local taxes or in default on any existing private or publicly financed loans.
- D. The applicant, its principals or any prior business owned by its principals cannot have previously

defaulted on any financial assistance provided by MBDD or Development.

- E. Ineligible business will include but not limited to investment real estate, lending and leasing businesses, multi-level marketing, adult entertainment, gambling, bars, furniture and appliance rental, and checkcashing.

V. Use of Proceeds

- A. Loan proceeds may be used for working capital, machinery and equipment purchases, leasehold improvements, inventory, and refinancing of debt (when the debt is solely in the business name, was clearly used for the business, and when refinancing will improve business cash flow).
- B. 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; refinancing credit cards; and financing a non-business purpose.

VI. Loan Application Process

MBDD has established a written loan application and approval process that may be amended from time to time and will be binding upon all applicants.

MBDD staff will interview interested applicants to determine general program eligibility. A link to the online application will be sent to eligible applicants. The application will request information related to the loan request and supporting documentation on the company, principals, and guarantors.

Loan Approval and Denial

1. Development, in its sole discretion, may approve or deny loan applications.
2. All Micro-Loan applications will be processed through an internal review and approval process. Upon recommendation from MBDD staff, the loan application will be sent to the Loan Action Workout Group (LAWG) for approval.
2. Approval shall be communicated in a written commitment to the Borrower.
4. If the loan application is denied, MBDD will notify the applicant in writing, stating the reason for denial.

A. Withdrawal of Application

1. Any applicant may withdraw a loan application at any time prior to closing by giving written notice to MBDD.
2. MBDD will maintain a log of each application. If the applicant fails to submit any additional requested information or documentation that is needed to complete the underwriting process within sixty (60) days of the application date, with no justifiable explanation, the application will be withdrawn.
2. MBDD may withdraw an application if inaccurate or fraudulent information is submitted.

B. Loan Closing

1. All documentation will be completed by Development in-house counsel.
2. The loan closing will be scheduled at a time acceptable to both the Borrower and MBDD.
3. The Borrower will be required to establish a checking account in the business' name and complete an Authorization Agreement for deposit / payment (ACH).

4. As part of MBDD's annual review of the Borrower's loan, tax returns, income statements, balance sheets, and updated personal financial statements may be requested.
5. The Borrower must agree to all the terms and conditions set forth the loan documents provided.

C. Assumption

Loans cannot be assumed by another business.

VIII. Micro-Loan Evaluation Criteria

A. Business Evaluation

The historical and projected performance of the applicant and its owners will be evaluated to assess the ability to repay the proposed loan. An applicant will not be considered if Chapter 7 or Chapter 11 bankruptcy has been filed within the past three (3) years.

Specifically, this evaluation will include but is not limited to the following:

1. Financial Performance of the Business: This involves the evaluation of the historical financial performance of the applicant company, including an examination of tax returns, income statements, balance sheets, cash-flow statements, accounts receivable and accounts payable aging reports, projected financial performance, demonstration of general liability/hazard insurance and required industry licenses or certifications.
2. Business Viability: This involves the evaluation of the applicant's business model, market area, client / customer base, and competition. An executive summary and/or business plan may be required.
3. Financial Performance of the Owners: This involves the evaluation of personal tax returns and personal financial statements.
4. Management Experience: This involves the evaluation of the owner's general business experience, specific skill set, and resume.
5. Public Records Review: This involves the evaluation of public information on the business and its owners, which may include Dun & Bradstreet, Lexis Nexus, tax clearance, required licenses and certifications, and other public sources.

B. Project Evaluation:

The intended use of funds and project costs will be evaluated along with the applicant's ability to repay the loan. Businesses must demonstrate sufficient cash flow to cover the proposed principal.

1. Project Costs: The costs associated with a project, funding sources, and other lending partners will be evaluated.
2. Cash-Flow Analysis: A cash-flow analysis will be performed using both historical and projected (if necessary) financial statements. Historical and projected cash-flow must demonstrate debt service capacity of 1.2:1.
3. Working Capital Analysis: The applicant's liquidity and access to working capital to cover daily operations will be evaluated.

IX. Notification

MBDD reserves the right to announce all commitments publicly.