



OHIO MICRO-LOAN PROGRAM

Program Guidelines

I. Statement of Purpose

The **Ohio Micro-Loan Program** (Micro-Loan or Program) is a program that is designed to stimulate the growth of existing businesses in the state of Ohio. The Micro-Loan offers a 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 state of Ohio certified minority- and woman-owned small businesses that otherwise do not have ready access to traditional lending sources.

II. Program Funding

Micro-Loans are 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 is \$45,000. The minimum loan amount is \$10,000. The entire approved loan request is funded within an estimated 15 business days after loan closing.
- B. Term: Up to five (5) years for permanent working capital. Up to seven (7) years for equipment, depending on the depreciable life of the equipment. There are 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 up to 10%.
- D. Equity Contribution: No cash equity contribution is required unless the use of funds is greater than \$45,000.
- E. Collateral: A UCC-1 / blanket lien all business assets or other collateral valued at 100% of the proposed loan request is required where applicable.
- F. Personal Guarantee: Personal Guarantees are required for any principal with at least 20% ownership in the applicant company.
- G. Fees and Credit Reports:
 - 1. **No application fees.**
 - 2. Development will not pull personal credit reports.

IV. Eligibility

- A. The applicant must be state certified, through the Minority Business Development Division as an MBE (Minority Business Enterprise) or a WBE (Women Business Enterprise).
- B. Loan proceeds are disbursed electronically. To receive loan proceeds the Borrower must use an existing OH|ID or register for one at OhioPays.gov and ensure current bank account information is provided in OhioPays.gov.
- C. The applicant, including the business and its principals cannot be delinquent or in default on federal,



Department of Development

state, or local taxes or in default on any existing private or publicly financed loans or have filed personal and or business bankruptcy within the last three years of application. Applications will not move forward if a tax search is performed and is not returned clear. Clearing tax delinquencies does not guarantee loan approval.

- 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. The applicant must have a minimum revenue in their most recent tax year (and their projections) of 2x the loan amount they are requesting. For example, if the applicant is requesting a \$45,000 Ohio Micro Loan the most recent tax year must demonstrate revenues of at least \$90,000 and projected revenues of at least \$90,000.
- F. The applicant must demonstrate they have 2 months of Ohio Micro Loan Payments in their bank account.
- G. Ineligible business will include but not limited to investment real estate, lending and leasing businesses, multi-level marketing, adult entertainment, gambling, bars and tap houses, furniture and appliance rental, and check cashing.

V. Use of Proceeds

- A. Loan proceeds may be used for:
 - 1. working capital (list of use of funds and costs is required).
 - 2. machinery and equipment purchases including commercial trucks or vans for exclusive use of the business (no vehicles that can be used for both business and personal). Cost estimates are required with application submission.
 - 3. leasehold improvements (costs estimates are required with application submission)
 - 4. inventory
 - 5. 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 and when the debt is with a financial institution or leasing company). Any business accounts being refinanced must be closed. Payoff letters are required at application submission. The payoff letters must state the payoff amount and include language stating the account will be closed when paid in full.
- 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 not in the business name; and financing a non-business purpose.

VI. Loan Application Process and Servicing

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 may 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.

A. Loan Approval and Denial

- 1. Development, in its sole discretion, may approve or deny loan applications.



Department of Development

2. All Micro-Loan applications are processed through an internal review and approval process.
3. 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.

B. 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.

C. Loan Closing

3. All loan closing documentation will be completed by Development's in-house counsel.
4. The loan closing is done electronically and is initiated by Development's in-house counsel once all loan documentation is approved by the Borrower and MBDD.
5. The Borrower is required to set up a supplier account with the Ohio Office of Budget and Management's OhioPays.gov before loan disbursement.
6. The Borrower is required to provide a checking account in the business' name and complete an Authorization Agreement for payment (ACH form) and provide a copy of a voided check. The account is used for electronic loan repayments.
7. The Borrower is required to provide a certificate of liability insurance in the amount of the loan before the closing.
8. 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.
9. The Borrower must agree to all the terms and conditions set forth in the loan documents.
10. Borrower will receive amortization schedules, loan servicing contact and payment update information from the following email: loanadministration@development.ohio.gov.

D. Assumption

Loans cannot be assumed by another business.

E. Defaults

Defaulted loans are submitted to the Attorney General's Office for collection.

VIII. Micro-Loan Evaluation Criteria

A. Business Evaluation

The historical and projected performance of the applicant and its owners is evaluated to assess the ability to repay the proposed loan. An applicant will not be considered if Chapter 7 or Chapter 11 bankruptcy



Department of Development

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 and projected financial performance of the applicant company using:
 - tax returns (IRS transcripts may be requested), income statements, balance sheets, cash-flow statements, accounts receivable and accounts payable aging reports, projected financial performance, 3 months recent business bank statements, signed contracts for services provided or to be provided, 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. This also includes evaluating owner's plans for business continuation in the event of owner's incapacity to operate the business.
5. Public Records Review: This involves the evaluation of public information on the business and its owners, which may include internet and social media searches, Dun & Bradstreet, Lexis Nexus, tax clearance, EPA clearance required licenses and certifications, and other public sources.

B. Project Evaluation:

The intended use of funds and project costs are 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 are evaluated.
2. Cash-Flow Analysis: A cash-flow analysis is performed using both historical tax returns, interim financial statements and projected (if necessary) financial statements. Historical and projected cash-flow must demonstrate debt service capacity of 1.2:1.
3. Revenue Analysis: The applicant must have a minimum revenue in their most recent tax year (and their projections) of 2x the loan amount they are requesting.
4. 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.