

**What is the Ohio Capital Access Program?**

The Ohio Capital Access Program (OCAP) is a loan portfolio insurance program (similar to a loan guarantee) that enables small businesses to obtain credit to help them grow and expand their businesses. Since 2002, the OCAP has assisted countless small businesses with their working capital and fixed asset financing needs. In OCAP, when a participating Lender originates a loan, the Lender and Borrower combine to contribute a percentage of the loan (from 3 percent to 6 percent) into a reserve fund, held by the Lender. The Ohio Department of Development also sends a state contribution to the Lender-held reserve fund. Each Lender’s total OCAP reserve fund is available to cover losses on any loan in the Lender’s OCAP portfolio. OCAP loans are originated and serviced by the Lender. The Ohio Department of Development also uses funds from the State Small Business Credit Initiative<sup>1</sup> to make contributions to the reserve fund.

**What are the Eligibility Criteria, Operating Mechanics, and Program Benefits?**

The table below describes key criteria, operating mechanics, and program benefits of the Ohio Capital Access Program.

Eligibility Criteria	Description
<p>What type of businesses are eligible for the program?</p>	<ul style="list-style-type: none"> <li>• Corporations, partnerships, LLCs, and sole proprietorships</li> <li>• Small businesses with fewer than 250 employees</li> <li>• Small businesses that are creating or retaining jobs</li> <li>• Small businesses with revenues equal to or less than \$10 million</li> <li>• Ohio businesses (principal place of business and activity in Ohio)</li> <li>• New or existing businesses</li> <li>• For-profit or nonprofit businesses</li> </ul>
<p>What type of businesses are ineligible for the program?</p>	<ul style="list-style-type: none"> <li>• Firms involved in real estate investment, speculative activities, lending or leasing activities, pyramid sales, illegal activities, gambling activities, and consumer and marketing cooperatives</li> <li>• Small businesses whose principal<sup>2</sup> of the business has been convicted of a sex offense against a minor</li> <li>• Businesses on State Auditor’s Finding for Recovery Database</li> <li>• Businesses whose principal is (or an immediate family member of) an executive officer, director, or principal shareholder of the lender are ineligible.</li> </ul>
<p>What are the loan limits?</p>	<ul style="list-style-type: none"> <li>• The maximum Lender loan amount enrolled cannot exceed \$350,000 for fixed asset financing, and \$250,000 for working capital financing</li> <li>• There are no minimum loan amounts</li> <li>• Currently, there are no partial loan enrollments</li> </ul>

<sup>1</sup> The State Small Business Credit Initiative is a program of the U.S. Department of the Treasury and the Small Business Jobs Act of 2010.

<sup>2</sup> “Principal” is defined as “if a sole proprietorship, the proprietor; if a partnership, each managing partner and each partner who is a natural person and holds a 20 percent or more ownership interest in the partnership; and if a corporation, limited liability company, association or development company, each director, each of the five most highly compensated executives or officers of the entity, and each natural person who is a direct or indirect holder of 20 percent or more of the ownership stock or stock equivalent of the entity.

Eligibility Criteria	Description
<p>What are the Reserve Fund Contribution Charges?</p>	<ul style="list-style-type: none"> <li>The Borrower must pay a 1.5 – 3 percent of the loan amount Reserve Fund Contribution Fee (premium) for deposit into the OCAP Reserve Fund. The percentage is determined by the Lender</li> <li>The Lender must match the Borrower's percentage</li> </ul>
<p>What are the OCAP Reserve Fund Contribution percentages for banks?</p>	<ul style="list-style-type: none"> <li>10 percent of the loan amount</li> <li>50 percent of the loan amount for the Lender's 1st, 2nd, or 3rd OCAP loan enrollment</li> </ul>
<p>Are there increased Reserve Fund Contribution percentages for targeted businesses?</p>	<ul style="list-style-type: none"> <li>Yes, the OCAP percentage is 80 percent of the loan amount if the loan is to a minority-owned business certified with the State of Ohio Equal Opportunity Division</li> </ul>
<p>What are the eligible uses of loan proceeds?</p>	<ul style="list-style-type: none"> <li>Loans can be used for short-term or long-term commercial real estate purchases, expansions, or renovations</li> <li>Equipment purchases (new or used)</li> <li>Leasehold improvements, working capital, inventory purchases, or rolling stock</li> <li>Refinancing of another Lenders debt, start-up costs, franchise financing, or other business purposes</li> </ul>
<p>What are the ineligible uses of loan proceeds?</p>	<ul style="list-style-type: none"> <li>Loans cannot be made in order to place under the protection of the OCAP prior debt that is not protected under the OCAP and is or was owed by the Borrower to the Lender or an affiliate of the lender</li> <li>Loans cannot be used for refinancing a current Lender's existing debt</li> <li>Residential purchase, construction, or development</li> <li>Passive real estate investment</li> <li>Effecting a partial change of business ownership or a change that will not benefit the business; permitting the reimbursement of funds owed to any owner, including any equity injection or injection of capital for the business's continuance</li> <li>Repaying delinquent state or federal withholding taxes or other funds that should be held in trust or escrow</li> <li>Financing a non-business purpose</li> <li>Guaranteeing the unguaranteed portion of an SBA or other federally guaranteed loan</li> </ul>
<p>What is the loan term?</p>	<ul style="list-style-type: none"> <li>The maximum term for a real estate loan is 15 years (balloon amortization schedules are acceptable).</li> <li>The maximum term for equipment loan is seven years (balloon amortization schedules are acceptable)</li> <li>The maximum term for short-term working capital loans is one year, but can be renewed for up to two additional years without re-enrolling. After three years the loan will no longer be enrolled in the OCAP. Lender may enroll the loan as a new loan if eligibility criteria are met and contribution fees are paid</li> <li>There are no minimums</li> </ul>

Operating Mechanics	Description
Who negotiates the terms of the loan?	<ul style="list-style-type: none"> <li>Interest rates, maturity, and other loan terms are negotiated between the Borrower and the Lender</li> </ul>
Who originates loans in the OCAP?	<ul style="list-style-type: none"> <li>Lenders are responsible for loan origination and reporting, as required by the Ohio Department of Development</li> <li>Ohio Department of Development or its network partners may refer businesses to Lenders</li> </ul>
Who has underwriting responsibility?	<ul style="list-style-type: none"> <li>Lenders have responsibility for loan underwriting</li> </ul>
Which Lenders are eligible?	<ul style="list-style-type: none"> <li>State depository banks that are not operating under any supervisory enforcement</li> <li>Lenders whose principal has not been convicted of a sex offense against a minor</li> </ul>
Who applies for the OCAP Contribution Fee?	<ul style="list-style-type: none"> <li>The Lender submits an OCAP Pre-Approval Form to the Ohio Department of Development for OCAP eligibility review</li> <li>The Lender submits an OCAP Lender's Loan Enrollment and Certification Form along with the OCAP Loan Enrollment and Certification Borrower's Information Form after loan closing to the Ohio Department of Development for the OCAP contribution fee</li> <li>Borrowers must complete a lending institution's standard loan application and the OCAP Loan Enrollment and Certification Borrower's Information Form</li> </ul>
What is the Ohio Department of Development's role in the OCAP loan enrollment process?	<ul style="list-style-type: none"> <li>Ohio Department of Development will review the OCAP Pre-approval Form to determine eligibility</li> <li>Ohio Department of Development will notify the Lender of the OCAP Pre-approval Form approval. Once approved, the Lender can move forward with their loan closing</li> <li>The Lender will submit the OCAP Loan Enrollment Forms and proof of Reserve Fund contribution fee to the Ohio Department of Development</li> <li>Ohio Department of Development will send acknowledgement of receipt and enrollment to Lender</li> <li>Ohio Department of Development will EFT OCAP funds into the Reserve Fund</li> </ul>
How does the Reserve Fund work?	<ul style="list-style-type: none"> <li>The Reserve Fund is a money market account held by the Lender in the name of the Ohio Department of Development</li> <li>The Reserve Fund receives the Borrower, Lender, and OCAP contribution fees</li> <li>The Reserve Fund holds the contribution fees for all loans the Lender enrolls in the OCAP</li> <li>The Reserve Fund is used to offset up to 100 percent of losses a Lender incurs after an OCAP loan default and liquidation</li> </ul>

Operating Mechanics	Description
<p>What reporting is required?</p>	<ul style="list-style-type: none"> <li>• Lenders must report the loan status (balance, delinquency, etc.) on an annual basis</li> <li>• Ohio Department of Development will generate the annual report and send to Lender to check its accuracy and make necessary corrections</li> <li>• Borrowers may report on employment activity</li> </ul>
<p>What happens if the Borrower defaults?</p>	<ul style="list-style-type: none"> <li>• In the event of default, a Lender must exhaust all collection efforts (foreclosure, liquidation, etc.) prior to filing a claim on the OCAP Reserve Fund. The Lender has 120 days after the last collection effort to file a claim</li> <li>• The Lender must submit an OCAP Claim Form to the Ohio Department of Development to have access to Reserve Fund</li> <li>• The claim amount can include principal and accrued interest, but it cannot exceed the original amount enrolled</li> </ul>
<p>Who can I contact to obtain OCAP enrollment forms?</p>	<ul style="list-style-type: none"> <li>• OCAP forms, information, and program updates can be obtained at <a href="http://www.ssbci.development.ohio.gov">www.ssbci.development.ohio.gov</a></li> <li>• OCAP staff are available to answer questions by calling (614) 466-5700 or (800) 848-1300, or by email at <a href="mailto:OCAP@development.ohio.gov">OCAP@development.ohio.gov</a></li> </ul>

Program Benefits	Description
<p>What are the program's benefits?</p>	<ul style="list-style-type: none"> <li>• Reserve Fund provides Lenders with a source for additional collateral</li> <li>• Simple enrollment process: Lenders submit a two-page Pre-approval Form prior to loan closing and a two-page OCAP Lender Loan Enrollment and Certification Form after loan closing</li> <li>• The OCAP can assist businesses involved in retail (restaurants, clothing, cleaners, etc.)</li> <li>• Lenders make their own underwriting decisions. Ohio Department of Development evaluates program eligibility, but does not underwrite the loan</li> <li>• OCAP Pre-approvals are provided within three to five business days of receiving a complete form</li> <li>• OCAP Reserve Funds are wired within 15 days of completed loan enrollment</li> <li>• Low administrative effort for the Lender</li> <li>• No complex Standard Operating Procedures for Lenders or Borrowers</li> </ul>

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