



May 8, 2023

Senator Michael Rulli
Chair, Ohio Senate General Government Committee
1 Capitol Square, 1st Floor
Columbus, Ohio 43215

Dear Chairman Rulli:

On behalf of the collective interests of Ohio's 222 credit unions and their 3.2 million members, the Ohio Credit Union League (OCUL) appreciates the opportunity to provide testimony in support of language included in the House-passed version of the State Operating Budget (Substitute House Bill 33) that would enable small businesses to partner with credit unions through the Ohio Capital Access Program (OCAP). This existing program, operated by the Ohio Department of Development (Development), will further enable credit unions to support local, small businesses with accessible and affordable capital.

Ohio communities thrive when people have access to resources and opportunities that foster greater financial well-being. As member-owned cooperatives, Ohio credit unions work to advance communities by building stronger financial futures. Focused on assisting businesses with unmet needs, OCAP encourages financial institutions to lend to small and minority-owned businesses that may not meet conventional underwriting standards by establishing a modest loan loss "guarantee" account to help a financial institution manage risk.

Ohio credit unions are available Main Street lenders that prioritize the unique financial needs of consumers, businesses, and communities. Access to affordable capital is crucial with rising interest rates, liquidity crunches, and economic fluctuation. This overdue change to the law will allow small businesses to access OCAP resources regardless of their preferred financial institution. The modification will also empower credit unions to fully serve their communities and member businesses.

We respectfully request that credit union inclusion in Development's existing Capital Access Program remain in the Senate version of House Bill 33, so small businesses can choose to partner with their community-based credit union. Thank you for your consideration, and please reach out to us should we be of any assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Jared Weiser".

Jared Weiser
Director, Legislative Affairs

Cc: Members of the Ohio Senate General Government Committee
Members of the Ohio Senate Finance Committee

Enclosures



Minority Business Development

Ohio Capital Access Program (OCAP)

Purpose

The **Ohio Capital Access Program (OCAP)** encourages financial institutions to lend to small businesses and nonprofits that may not meet conventional underwriting standards by establishing a loan loss “guarantee” reserve account to recover losses from loans enrolled in the program.

Use of Proceeds

Use of loan proceeds may include working capital lines of credit or the purchase or construction of fixed assets, such as buildings and equipment. The refinancing of another Ohio lender’s existing loans is also eligible. However, the construction or purchase of residential housing and passive real estate investments are ineligible uses of OCAP.

Eligibility

A lender must enter into an OCAP Participation Agreement to be eligible to enroll loans in the program. An eligible borrower must be a small business that is headquartered with operations and facilities in Ohio with revenues equal to or less than \$10 million and with fewer than 250 employees. An eligible borrower must be creating or retaining jobs.

Ineligible businesses include firms involved in real estate investment, speculative activities, lending or leasing activities, pyramid sales, gambling activities, and consumer and marketing cooperatives. If the principal of the business has been convicted of a sex offense against a minor, the business is ineligible. Businesses in which the principal, or an immediate family member, is the executive officer, director, or principal shareholder of the lender are ineligible.

Lending Participants

Lending participants are state depository financial institutions that provide loans to eligible borrowers.

Terms

Loan terms are determined by the lender.

Loan Amounts

- The maximum loan amount is **\$250,000** for working capital and **\$350,000** for fixed assets. There are no minimum loan amounts, and partial loan enrollments are not allowed.

Reserve Amount Contributions

The participating lender must open an OCAP reserve account in the name of the Director of the Ohio Department of Development. The following contributions are required:

Borrower

- **1.5% to 3%** of the principal amount of the Capital Access Loan. (The lender determines the percentage. The borrower can include the contribution in the loan.)

Lender

- An amount equal to the borrower’s contribution. (The lender may recover all, or part, of the lender’s contribution from the borrower in any agreed upon manner.)

State

- An amount equal to **10%** of the principal amount of the Capital Access Loan.
- On the lender’s first through third enrollment, an amount equal to **50%** of the principal of the loan.
- For all state certified minority businesses enrolled, an amount equal to **80%** of the principal.

Ohio

Mike DeWine, Governor
Jon Husted, Lt. Governor

Department of
Development

Lydia L. Mihalik, Director

Visit Development.Ohio.Gov/OCAP