

CDFA Ohio Finance Roundtable Webcast: Accessing Capital Through Ohio's SSBCI Programs

The Broadcast will begin at 1:00pm (EST).

While you're waiting, mark your calendar for these upcoming CDFA events:

**Intro Public-Private
Partnership (P3)
Finance WebCourse**



December 12-13, 2012
Daily: 12-5pm (EST)

**Reshored
Manufacturing
Webinar Series**



February-May, 2013
2:00-4:00pm (Eastern)



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Accessing Capital Through Ohio's SSBCI Programs

Jason Rittenberg

Research & Resources Coordinator

Council of Development Finance Agencies

Columbus, OH



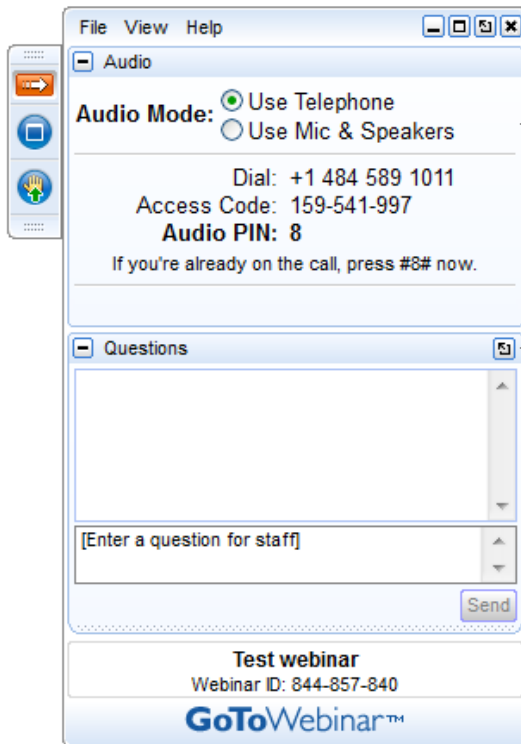
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Accessing Capital Through Ohio's SSBCI Programs



The screenshot shows a web browser window with a menu bar (File, View, Help) and window controls. The main content area is divided into two sections. The top section, titled 'Audio', contains radio buttons for 'Use Telephone' (selected) and 'Use Mic & Speakers'. Below this, it lists 'Dial: +1 484 589 1011', 'Access Code: 159-541-997', and 'Audio PIN: 8'. A note says 'If you're already on the call, press #8# now.' The bottom section, titled 'Questions', has a large text input area with the placeholder '[Enter a question for staff]' and a 'Send' button. At the very bottom, it says 'Test webinar', 'Webinar ID: 844-857-840', and the 'GoToWebinar™' logo.

Using your telephone will give you better audio quality.

Submit your questions to the panelists here.

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Accessing Capital Through Ohio's SSBCI Programs

Speakers

Jason Rittenberg, *Moderator*
Council of Development Finance Agencies

Natalie Burley
Ohio Development Services Agency

Bradford Guess
KeyBank

Andrew Hansen
Ohio Development Services Agency

Jeanette Knauf & Heathyr Ullmo
Ohio Commerce Bank



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What is the SSBCI?

- State Small Business Credit Initiative
- Small Business Jobs Act of 2009
- Program intended to ease lending to small businesses
 - Make close loans possible
 - *Not* trying to make bad loans possible

SSBCI Basics

- Allocates \$1.5 billion among the states
 - Portion based on job loss
 - Minimum allocation = \$13.1 million
- Goal is to leverage \$10 private for every \$1 public
- Program lasts through 2017

SSBCI Programs

- Capital Access Programs
- Loan Participation
- Loan Guarantee
- Collateral Support
- Venture Capital Programs



www.cdfa.net

Resources



State Small Business Credit Initiative Portal

Program Overview

The State Small Business Credit Initiative (SSBCI), part of the Small Business Jobs Act of 2010, was funded with \$1.5 billion to bolster state programs supporting small business lending. States may use SSBCI funds to support programs that leverage private lending to help finance creditworthy small businesses. Permissible programs include Capital Access Programs, loan guarantee programs, and venture capital funds.

CDFA continues to support states with SSBCI and other access to capital program needs by offering webcasts, resources, and technical assistance. As part of this ongoing effort, CDFA created the [CDFA SSBCI Webinar Series](#), a dedicated five-part educational offering specifically addressing this innovative program.

The [CDFA SSBCI Portal](#) provides an accessible interface for program information and materials in the CDFA Online Resource Database.

- [>>> SSBCI Headlines](#)
- [>>> CDFA SSBCI Webinar Series](#)
- [>>> SSBCI Conference Presentations](#)
- [>>> All CDFA SSBCI Resources](#)

State Resources

The following information summarizes the SSBCI application status or program information for each state participating in the Initiative. If you are a state SSBCI or access to capital program manager, you can help develop the CDFA SSBCI Portal by sending information, comments, or materials to jrittenberg@cdfa.net

U.S. Dept. of Treasury

The SSBCI program is managed by the U.S. Dept. of the Treasury. The CDFA Online Resource Database includes webcast presentations, program guidance, disclosure documents, and more from the Treasury's SSBCI staff.

[>>> Treasury SSBCI Resources](#)

Alabama

Status: Approved

Programs: Alabama Capital Access Program; Alabama Loan Guarantee Program; Alabama Loan Participation Program

[>>> State SSBCI Resources](#)

Alaska



Contact CDFA

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Accessing Capital Through Ohio's SSBCI Programs

Natalie Burley

Manager

Ohio Development Services Agency

Columbus, OH



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Background

- What is the State Small Business Credit Initiative?
 - Created by Small Business Jobs Act of 2010
 - Administered by the U.S. Department of the Treasury
 - Ohio applied for and received its \$55.138 million allocation
 - Collateral Enhancement Program \$35 million
 - Ohio Capital Access Program \$5 million
 - Targeted Investment Program \$15 million

www.SSBCI.development.ohio.gov

CEP Program Mechanics – How does the Cash Collateral Deposit work?

CEP opens a money market account as pledged collateral on behalf of the Borrower for lending institutions to enhance collateral coverage of loans when there is a collateral shortfall.

- Each loan has its own Cash Collateral Deposit Account
- Reduced proportionately with the principal reduction of the loan on an annual basis
- Used to offset losses a Lender incurs after a loan default and liquidation

CEP Program Mechanics

Real Estate Purchase Example

Purchase Price		\$1,000,000
Borrower's Equity (10%)		\$100,000
Financing Needed		\$900,000
Appraised Value		\$787,500
Bank Loan underwriting value (80% of appraised value)		\$630,000
Collateral Shortfall (Financing needed minus Bank Loan underwriting value)		\$270,000
CEP Percent/Amount of Collateral Deposit	30%	\$270,000
Bank Loan with CEP		\$900,000

CEP Program Mechanics

Line of Credit Example

Borrower's Accounts Receivable	\$500,000
Bank Advance Rate	60%
Accounts Receivable Available as Collateral	\$300,000
Bank Desired Advance Rate on Accounts Receivable	80%
Desired Accounts Receivable Available as Collateral	\$400,000
Accounts Receivable Shortfall from Bank Desired Advance Rate	\$100,000
CEP Amount Available for Collateral Shortfall (25% of Proposed Line)	\$100,000
Proposed Line of Credit	\$400,000

CEP Program Mechanics

- **Loan Limits**
 - \$5 million maximum fixed assets and working capital
 - \$100,000 minimum working capital
- **Cash Collateral Deposit Limits**
 - \$500,000 fixed asset
 - \$250,000 working capital
- **Cash Collateral Deposit Percentage**
 - Up to 30% of loan amount
 - Up to 50% of loan amount for businesses in a HubZone or a certified minority-owned business

CEP Program Mechanics

- Borrower Requirements
 - Pays 2% of the Cash Collateral Deposit at closing
 - 10% equity in the project (on purchases and renovations)
 - Minimum 1.2:1 debt coverage ratio
 - Pays other Lender application and closing costs
 - Job creation or retention (\$50,000 CEP deposit for 1 FTE job)

CEP – Ineligible Use of Proceeds

- Refinancing current Lenders' existing debt
- Placing under the protection of the CEP prior debt that is not covered under the CEP and that is or was owed by the borrower to the Lender or to an affiliate of the Lender
- Purchase any portion of the ownership interest of any owner of the business
- Intangible assets
- Reimbursement of funds owed to any owner
- Repaying delinquent state or federal withholding taxes
- Financing a non-business purpose
- Enhancing the unguaranteed portion of an SBA or other federally guaranteed loan
- Loans that cannot demonstrate a collateral shortfall, have no collateral or no collateral with any value
- Loans where the Lender has less than 20% risk exposure

CEP – Program Activity

- CEP deposit/enhancement amounts - \$4,004,092
- Lender loans - \$15,378,210
- Applications received 59
- Average CEP deposit/enhancement amount \$102,669
- Average loan size \$394,313

Bank Activity

First Merit Bank- 9

Huntington National Bank – 8

First National Bank of Pandora – 6

KeyBank – 6

Ohio Commerce Bank – 3

Telhio Credit Union – 3

Directions Credit Union - 3

Croghan Colonial Bank - 2

First Bexley Bank – 2

First Financial Bank – 2

Heartland Bank - 2

Kingston National Bank– 2

Sutton Bank – 2

WesBanco - 2

Western Reserve Bank - 2

Citizens Banking Company - 1

Consumers National Bank – 1

Fifth Third Bank – 1

Fort Jennings State Bank – 1

Superior Federal Credit Union - 1

Ohio Capital Access Program (OCAP) – Description

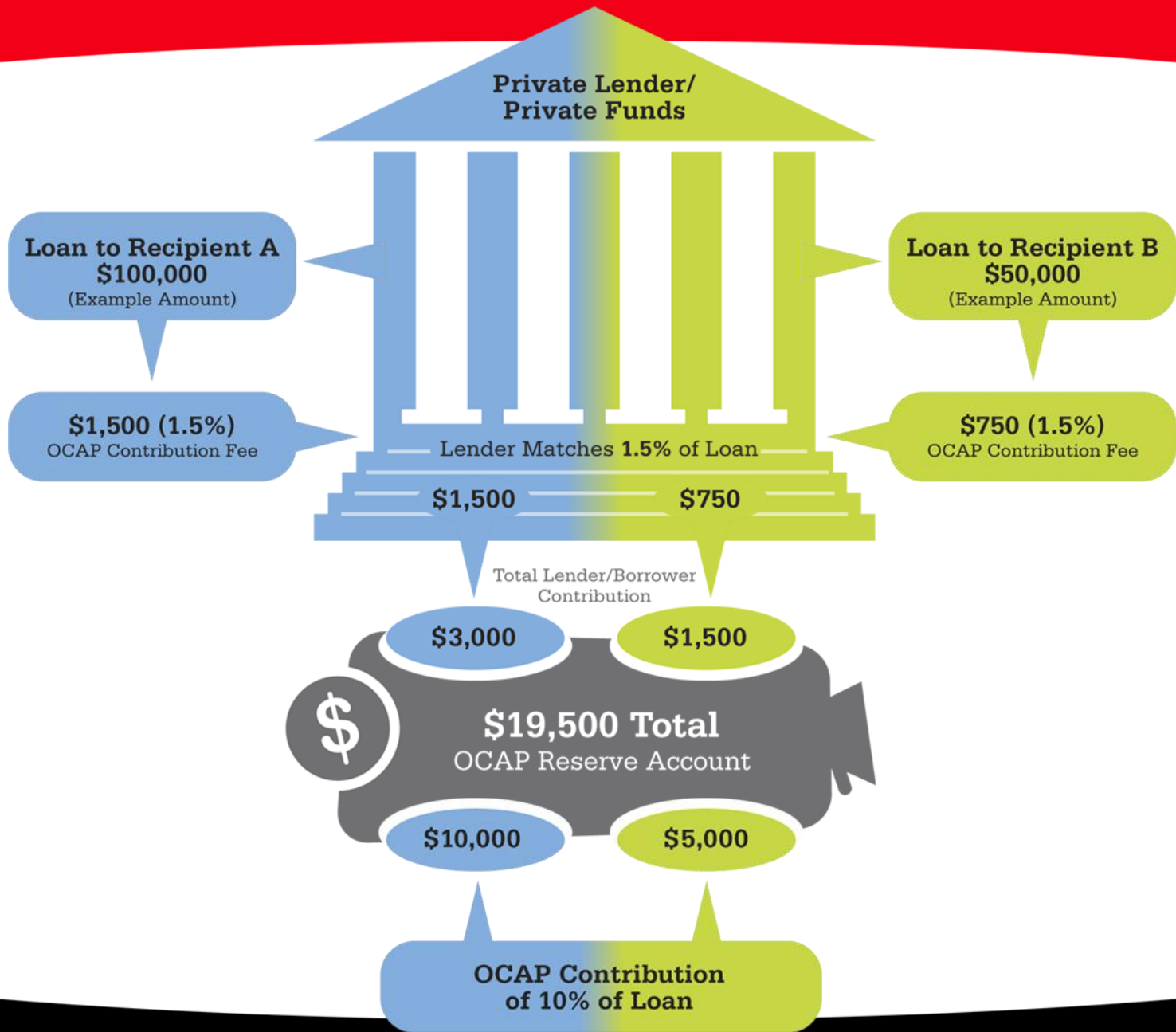
- Loan portfolio insurance program
- Assists small businesses to obtain credit for growth
- Since 2002, the OCAP has enrolled 989 loans (124 loans have received SSBCI funding)
- Lender and Borrower contributes 3% to 6% of a loan into a Reserve Fund, held by the Lender
- OCAP also sends a state contribution to the Reserve Fund
- OCAP reserve fund is available to cover losses on any loan in the Lender's OCAP portfolio

How Does the OCAP Work?

- Reserve Fund established at a Lender
- Reserve Fund receives Contribution Fees (premiums) from Lender and Borrower
- Reserve Fund receives deposit from OCAP
- Reserve Fund is available to cover loan losses

OCAP – Reserve Contribution Fees

- Borrower 1.5% - 3% of loan
- Lender matches Borrower's percentage
- OCAP
 - 10% of loan amount
 - 50% of loan amount on Lender's first, second, or third enrollment
 - 80% of loan amount for state certified MBEs



OCAP – Loan Limits

- \$350,000 maximum for fixed asset financing
- \$250,000 maximum for working capital
- No minimums
- No partial loan enrollments

OCAP – Enrollment Process

Lender and Reserve Fund Set-up

1. Lender signs OCAP Participation Agreement
2. Lender is added to OCAP Participating Lenders list
3. Lender opens Reserve Fund

Enrollment Process

1. Lender submits OCAP Pre-Approval form
2. State reviews and approves
3. Lender closes loan and makes Borrower and Lender Reserve Fund Contribution Fees
4. Lender submits OCAP enrollment forms along with proof of Contribution Fees deposit
5. State enrolls loan and sends OCAP Contribution Fee to Reserve Fund

OACAP – Participating Lenders

**Citizens Savings Bank
Citizens National Bank
Farmers & Merchant Bank
Farmers National Bank
First Bexley Bank
First Financial Bank
First National Bank of Pandora**

**Heartland Bank
Huntington National Bank
Park National Bank
Richland Bank
Security National Bank
Unity Bank**

Program Comparison

CEP

- For-profit entities only
- \$5 million loan amount max
- \$100,000 minimum working capital
- Must document shortfall
- Incentives for HubZone and MBEs with State or MSDC certifications
- Job creation/retention ratio (\$50,000 CEP deposit for 1 job)
- Borrower revenue maximum \$20 million
- Deposit 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
- No loan documentation submission
- Incentives for state certified MBE only
- No job creation/retention ratio
- Borrower revenue maximum \$10 million
- Deposits are pooled

Accessing Capital Through Ohio's SSBCI Programs

Bradford Guess

Vice President, Business Banking
KeyBank
Akron/Canton/Youngstown, OH



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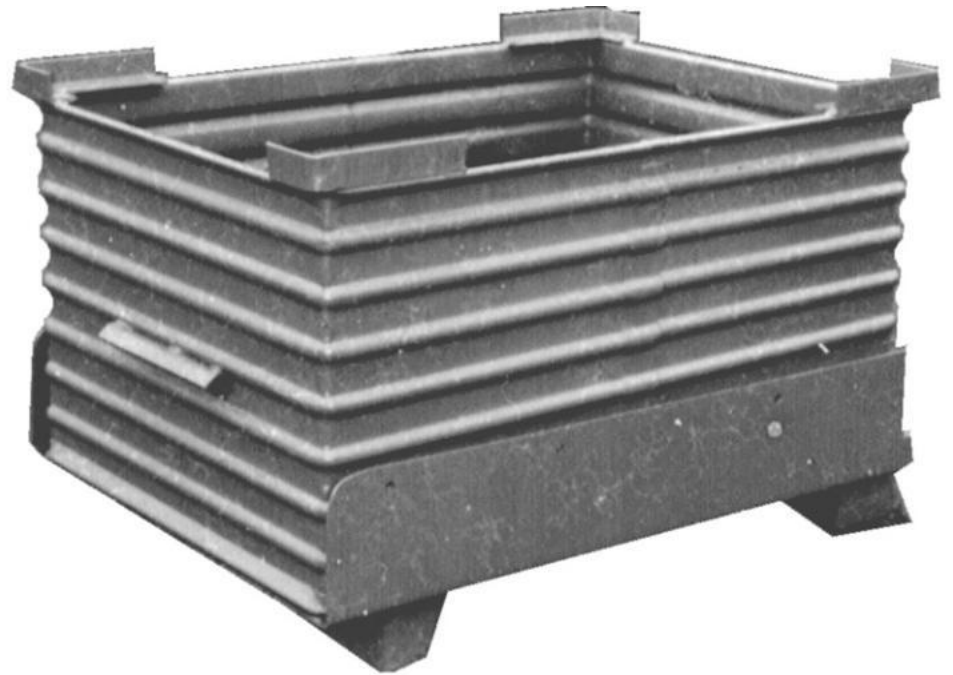
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Niles, Ohio



Accessing Capital Through Ohio's SSBCI Programs

Jeanette Knauf

**Assistant Vice President
Ohio Commerce Bank
Beachwood, OH**



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Accessing Capital Through Ohio's SSBCI Programs

Heathyr Ullmo

**Business Development Officer
Ohio Commerce Bank
Beachwood, OH**



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Ohio Commerce Bank

24400 Chagrin Blvd
Beachwood, OH 44122
216-910-0550

Jeanette Knauf

And

Heathyr Ullmo

Pension Consultants

Jeanette Knauf
Ohio Commerce Bank

- * Own their building
- * Profitable business
- * Strong guarantors
- * Substantially reduced their debt service
- * No additional collateral available
- * Appraised value lower than balance owed

Daycare Center

Heathyr Ullmo
Ohio Commerce Bank

- * Own their building
- * Refinance loan from another institution
- * Good cash flow
- * Great guarantors
- * Invested time and resources
- * **LOW APPRAISAL!**

How the CEP helped...

- * Helpful staff
- * Timely information
- * Easy to work with
- * Quick turnaround
- * Little paperwork
- * **ENABLED US TO DO THE ENTIRE LOAN AMOUNT!**

Accessing Capital Through Ohio's SSBCI Programs

Andrew Hansen

**Senior Biomedical Programs Manager
Ohio Development Services Agency
Columbus, OH**



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Targeted Investment Program (TIP)

- Description

The Targeted Investment Program will allow the Ohio Development Services Agency to directly invest in targeted small businesses with strong growth potential

- Must be within Ohio's manufacturing, production, logistics, agribusiness or food processing value chains
- Company revenue between \$1 million and \$10 million
- Between 5 and 250 employees
- Loan amounts of between \$500,000 and \$5 million
- TIP investment must be matched 1:1 with private capital

Targeted Investment Program

TIP Loan Funds may be used for business purposes which include:

- Working Capital
- Business Procurement
- Equipment
- Machinery
- Research and Development



Development
Services Agency

State Small Business Credit Initiative

Collateral Enhancement Program
Ohio Capital Access Program
Targeted Investment Program

www.SSBCL.development.ohio.gov

1-800-848-1300 ext. 6-5700

(614) 466-5700

Audience Questions



Fundamentals of Development Finance
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Tax Credit Finance
Revolving Loan Fund Finance
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State & Local Financing Programs

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Defeat of Colorado #TIF bill leaves many questions bit.ly/y0dYFs



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Upcoming Events

CDFA – Stifel Nicolaus Webcast Series: What Makes a Good Feasibility Study?

Thursday, December 6, 2012

Intro Public-Private Partnership (P3) Finance WebCourse

Daily: 12-5pm (EST)

December 12-13, 2012

CDFA – BNY Mellon Webcast Series: Will NMTCs Live Beyond 2012?

Tuesday, December 18, 2012

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