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OCC Signals Openness to Venture Lending — With Clear Guardrails for Banks and Tech Lenders

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On December 5, 2025, the Office of the Comptroller of the Currency (OCC) issued OCC Bulletin 2025-45, "Commercial Lending: Venture Loans to Companies in an Early, Expansion, or Late Stage of Corporate Development," which rescinds OCC Bulletin 2023-34, "Commercial Lending: Venture Loans to Companies in an Early, Expansion, or Late Stage of Corporate Development." The OCC's message in issuing the new bulletin to replace the prior bulletin is straightforward: the agency does not want to discourage prudent venture lending. At the same time, it expects banks to recognize that venture loans carry materially higher default risk than conventional commercial loans and to manage that risk through disciplined underwriting, realistic risk ratings, and appropriate reserves.[1]

Brief Reminder of What a 'Venture Loan' Is and Who This OCC Bulletin Applies To

The OCC defines "venture loans" as commercial loans to companies in an early, expansion, or late stage of corporate development that often are high?growth or technology?oriented and may be pre?product, pre?revenue, pre?positive cash flow, or pre?profit. These "venture borrowers" typically rely on external equity financing and balance?sheet liquidity to fund operating losses, have limited operating histories, and may lack sufficient collateral or sustainable cash flow to support conventional repayment structures.

Bulletin 2025-45 applies to all OCC?regulated banks that make, or are considering making, such loans, including community banks. It covers loans to early? and expansion?stage companies that are in the concept, planning, or rapid?growth phases and often depend heavily on future equity raises, as well as late?stage companies that may be scaling rapidly but still have negative or intermittent cash flow and rely on secondary sources of repayment such as additional private equity, public capital markets, or asset sales. Bulletin 2025-45 excludes loans that primarily rely on internally generated cash flow, loans under government programs where guarantees materially mitigate credit risk (*e.g.*, Small Business Administration (SBA)?guaranteed loans), and fully controlled and monitored asset?based loans (ABL) to early?, expansion?, and late?stage companies — though facilities that lack typical ABL controls may still fall within the venture?loan framework.[2]

Quick Recap of the Risks Unique to Venture Loans

The OCC stresses that venture borrowers often lack proven, sustainable cash flow, have untested business models, and exhibit high cash?burn and liquidity needs. Their operating histories may be short, their future cash flows difficult to forecast, and their ability to refinance or execute an orderly exit uncertain. As a result, default risk

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is materially higher than for mature?company commercial loans.

Common risk characteristics the OCC highlights include incomplete management teams or infrastructure, undeveloped or unproven products or services, declining or insufficient liquid assets and working capital, negative or inadequate operating cash flow to service or repay debt, limited collateral or reluctance to restrict cash for repayment purposes, reliance on uncommitted equity funding as a primary repayment source, and uncertainty about long?term viability.[3]

Bulletin 2025-45 Builds on and Departs From the OCC's 2023 Venture Lending Guidance

Bulletin 2025?45 formally rescinds and replaces its Bulletin 2023?34 issued in 2023,[4] but largely preserves its core framework. Like Bulletin 2023-34, the new bulletin defines "venture loans" as commercial loans to early?, expansion?, or late?stage companies that are often high?growth or technology?oriented, may be pre?product, pre?revenue, pre?positive cash flow, or pre?profit, and typically depend on external equity and balance?sheet liquidity to fund operating losses. It continues to distinguish these loans from conventional cash?flow?based commercial credit, fully controlled and monitored ABL facilities, and government?guaranteed loans where the guarantee materially mitigates credit risk. At the same time, Bulletin 2025-45 clarifies that "venture loans" may be scattered across multiple internal portfolios and labels, and that banks are expected to identify and aggregate these exposures regardless of how they are booked.

Where market participants sometimes read Bulletin 2023-34 as a warning against venture lending, Bulletin 2025-45 is more explicit about the OCC's posture: the agency does not seek to discourage prudent venture lending that is conducted in a safe and sound manner and fits within a bank's risk appetite. The new bulletin reaffirms that venture loans are a higher?risk subset of commercial lending — with elevated default probabilities, short or unproven operating histories, high cash?burn, and heavy reliance on external capital — but it frames the guidance as providing transparency into the OCC's supervisory expectations rather than as a signal to exit or shrink the business. It calls on boards and senior management to adopt a clear venture?lending risk appetite, establish limits and concentration controls (including meaningful sublimits by stage of development, sector, and other risk drivers), staff the activity with experienced personnel, and embed venture portfolios into enterprise?wide stress testing, capital and liquidity planning, and allowance for credit losses (ACL) methodologies.

Bulletin 2025?45 places particular emphasis on how banks should evaluate repayment sources, assign risk ratings, and determine accrual status for venture loans. Among other points, the bulletin states that: (i) uncommitted future equity infusions are not a satisfactory primary repayment source; (ii) unrestricted and declining cash balances are generally not a sustainable primary repayment source unless realistic projections show that all cash burn can be funded without relying on debt and that sufficient cash will remain at maturity to repay the loan; (iii) remaining?months?liquidity (RML) covenants, even with short tenors, often do not ensure full repayment; and (iv) risk ratings for recurring?revenue facilities should be based on realistic going?concern cash?flow projections, with "harvest" or wind?down analyses playing a central role only when default is highly probable and the loan is already under stress.

Finally, Bulletin 2025-45 operationalizes what "safe and sound" venture lending should look like inside an institution. It segments early/expansion?stage versus late?stage borrowers more clearly, recognizes that some facilities labeled as ABL or leveraged loans may in substance be venture loans if they lack full ABL?style controls,

and expects management information systems to aggregate venture exposures across business lines. It also raises the bar for governance and infrastructure by calling for board?approved policies, defined risk?appetite and concentration limits specific to venture lending, robust monitoring and reporting, and ACL segmentation that reflects the higher and more volatile loss experience of venture portfolios. In doing so, the bulletin preserves the risk?focused posture of Bulletin 2023-34 but provides a sharper, more detailed roadmap for banks that wish to continue or expand venture?lending activities within supervisory guardrails. [5]

Practical Takeaways for Venture Lenders/Banks and Borrowers

For banks and venture lenders, Bulletin 2025?45 translates into concrete expectations around governance, underwriting, structure, monitoring, and risk ratings. Boards should approve a clear statement of risk appetite for venture lending, supported by policies that define eligible borrowers, acceptable structures, underwriting standards, and concentration limits (including meaningful sublimits by stage of development, sector, and other risk drivers) that align with the bank's size, complexity, and capital position. Banks should staff venture?lending activities with personnel experienced in startup and high?growth lending and maintain management information systems that can aggregate venture exposures across business lines and products. Enterprise?wide risk?management functions should incorporate venture portfolios into stress testing, capital and liquidity planning, and ACL methodologies.

Underwriting should focus on realistic, base?case projections of the borrower's ability to generate cash flow sufficient to service and repay debt and delever over a reasonable timeframe, supported by analysis of liquidity, cash burn, and RML. Lenders should require robust and timely financial reporting, including audited or reviewed financial statements where appropriate, interim cash reporting, and updated projections. Loan structures should align with the borrower's risk profile and stage of development, using tenor, amortization, covenants, collateral, and tools such as cash sweeps or controlled accounts to help ensure that liquidity remains available for repayment and to allow for early intervention when performance deteriorates. With respect to repayment sources, banks should not treat uncommitted future equity infusions as a primary repayment source and should recognize that unrestricted, declining cash balances normally do not constitute a sustainable primary source either; committed funding and controlled, pledged cash are stronger primary sources. For recurring?revenue facilities, banks should anchor risk ratings in realistic cash?flow?based analyses rather than relying solely on contracted revenue or low churn, using "harvest" or wind?down scenarios primarily when the primary repayment source is already under stress.

For venture?backed borrowers and their sponsors, the bulletin implies a need to demonstrate a credible path toward sustainable cash flow, to align capital?raising plans with the bank's expectations around reliable repayment sources, and to engage constructively on covenant and structural features that protect the lender while still preserving sufficient runway to execute the business plan. Borrowers should anticipate closer scrutiny of liquidity, cash burn, and RML metrics, and should be prepared to provide more frequent and detailed reporting. The earlier the company's stage and the further it is from generating positive free cash flow sufficient to repay debt, the more weight the OCC places on structural protections and credit enhancements such as liquidity cushions, collateral controls, and enforceable funding commitments.

Conclusion

OCC Bulletin 2025?45 does not recharacterize venture lending as impermissible or unduly constrained; instead, it clarifies and sharpens the OCC's expectations while expressly affirming that banks should not be discouraged from engaging in prudent venture lending that fits within their risk appetite and is managed in a safe and sound manner. By recognizing that venture loans carry materially higher default risk than traditional commercial loans, the bulletin emphasizes the need for tailored governance, concentration management, underwriting, structural protections, monitoring, risk ratings, capital and liquidity planning, and ACL practices. Banks that invest in the people, systems, and disciplines necessary to meet these expectations will be better positioned to maintain or expand venture?lending strategies without undue supervisory friction, and venture?backed borrowers and sponsors that understand and align with this framework will be better positioned to obtain and sustain bank financing.

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[1] OCC Bulletin 2025?45, Summary, p. 1.

[2] OCC Bulletin 2025?45, Background, pp. 2-3.

[3] OCC Bulletin 2025?45, Ventured Lending Risks, p. 5.

[4] OCC Bulletin 2025?45, Rescissions, p. 2.

[5] OCC Bulletin 2025?45, Risk-Rating Venture Loans and Evaluating Repayment Sources pp 11-18

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