



Friends of the SBA

MICROLOAN PROGRAM

The Small Business Administration (SBA) Microloan Program is the largest federal program exclusively targeted to supporting the credit needs of very small businesses and sole-proprietorships. Through a network of community-based, nonprofit Intermediaries, the SBA Microloan program provides small-dollar loans and technical assistance to small businesses that cannot secure credit from conventional lenders or other SBA guaranteed loans, including many women, low-income, veteran, and minority entrepreneurs.

Small Business Administration Microloan Program

*small loans making a **big** difference*

How It Works

- Under the program, the SBA provides low-cost loans to nonprofit Intermediaries with experience in lending, management, and technical assistance. The Intermediaries then leverage these funds with state, local, and private resources to provide microloans and other business development resources to small businesses.
- The program serves small businesses that are considered “un-bankable” because they cannot access affordable credit from conventional lenders. By serving entrepreneurs that operate start-up and new businesses, lack sufficient collateral, or have limited or poor credit histories, the SBA Microloan program fills a gap in the private market.
- Intermediaries serve the smallest of small businesses. While the program allows intermediaries to make loans up to \$50,000, the average SBA Microloan is just \$13,000.
- Despite intermediaries serving “at risk” small businesses, the SBA Microloan program touts an exceptionally low loss rate of just 2.36 percent.

Impact In Your Community

- Over 26 years, SBA Microloan Intermediaries have made more than \$722 million in loans to small businesses that created or retained some 212,000 jobs. In FY 2015 alone, Intermediaries made nearly 3,700 loans—totaling more than \$52 million—to small businesses supporting 16,600 jobs.
- Currently, there are 152 SBA Microloan Intermediaries serving rural, suburban, and urban communities across 45 States, Puerto Rico, and the District of Columbia.

Why It's Important

- Conventional banks—and even other SBA programs—cannot serve this profile of small businesses. Making a small business loan is time-intensive and expensive to underwrite and service, especially for microloans. Moreover, banks and other programs are unable to provide the personalized, ongoing technical assistance needed to help underserved entrepreneurs succeed at every step of their business’s development.
- The SBA Microloan program is an important tool to ensure that the full spectrum of small businesses and entrepreneurs have access to the capital and technical assistance needed for business survival and growth.

Learn more about how SBA Microloans support small businesses in your community.

The Friends of the SBA Microloan Program supports economic opportunity for underserved entrepreneurs in rural, suburban, and urban communities across the nation by increasing access to the financing necessary to create wealth and build assets through business ownership. For more information, please contact Bob Rapoza at bob@rapoza.org.

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Federal Funding for SBA Microloans

The Friends of the SBA Microloan Program proposes \$4.3 million in loan subsidies to support \$44 million in new loans to Intermediaries and \$31 million in technical assistance grants to support new and existing small business borrowers.

This proposal represents a modest increase of \$1 million in Budget Authority stemming from cost-savings in the program's subsidy rate to support an additional \$9 million in program loan levels, compared to FY16.

SBA Microloan Program (\$ in millions)			
	FY15 Final	FY16 Final	FY 17 and 18 Proposed
Loan Program Levels	25	35	44
Loan Budget Authority	2.5	3.3	4.3
TA Grants	22.3	25	31

By The Numbers (In Fiscal Year 2015¹)

- 1991** The year the SBA Microloan Program was first authorized.
- 152** The number of Intermediaries participating in the SBA Microloan program.
- 45** The number of States—in addition to D.C. and Puerto Rico—served by Intermediaries.
- \$50,000** Maximum loan amount under the SBA Microloan Program.
- \$13,000** The average size of an SBA Microloan.
- 15%** Percentage of loan funds that Intermediaries must match with non-federal funds.
- 25%** Percentage of grant funds that Intermediaries must match with non-federal funds.
- 3,694** Number of SBA Microloans made.
- \$52 M** Total dollar amount of SBA Microloans.
- 16,600** Number of jobs supported by microloan borrowers.
- \$3,133** Cost to the government per job supported by an SBA Microloan.
- 2.36%** Loss rate on SBA Microloans.
- 44%** Percentage of SBA Microloans issued to minority entrepreneurs.
- 44%** Percentage of SBA Microloans issued to women entrepreneurs.
- 37%** Percentage of SBA Microloans issued to startup businesses.
- 73%** Percentage of loans used for working capital.
- 33%** Percentage of loans used for new equipment.

¹ Data from the SBA FY 2015 Annual Performance Report and Congressional Research Service