



# 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, with the average SBA Microloan less than \$14,000.
- Despite intermediaries serving “at risk” small businesses, the Microloan program touts a historically low loss rate of less than 2 percent to SBA.\*

### **Impact In Your Community**

- Since the program’s inception in 1992, SBA Microloan Intermediaries have made more than \$875 million in loans to small businesses that created or retained some 254,450 jobs. In FY 2017, Intermediaries made 4,986 loans—totaling more than \$69 million—to small businesses supporting nearly 18,700 jobs.
- Currently, there are approximately 150 SBA Microloan Intermediaries serving rural, suburban, and urban communities headquartered in 46 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.

\*SBA Assoc. Administrator’s House Small Business Committee testimony on 10/12/17).

**[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](mailto:bob@rapoza.org).

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## Federal Funding for SBA Microloans

The Friends of the SBA Microloan Program proposes the following funding levels for FY 2019, which include \$4.2 million in budget authority to support \$44 million in lending and \$31 million in technical assistance grants to support new and existing small business borrowers.

<b>SBA Microloan Program</b> (\$ in millions)			
	<b>FY17 Final</b>	<b>FY18 Final</b>	<b>FY19 President's Budget</b>
Loan Program Levels	44	36	42
Loan Budget Authority	4.3	3.48	4
TA Grants	31	31	25

### **By The Numbers\*** *(In Fiscal Year 2017)*

- 1991** The year the SBA Microloan Program was first authorized.
- 150** The number of Intermediaries participating in the SBA Microloan program.
- 46** 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.
- \$13,881** 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.
- 4,986** Number of SBA Microloans made.
- \$69.2 M** Total dollar amount of SBA Microloans.
- 18,673** Number of jobs supported by microloan borrowers.
- \$1,660** Cost to the government per job supported by an SBA Microloan.
- 55%** Percentage of SBA Microloans issued to minority entrepreneurs.
- 46.6%** Percentage of SBA Microloans issued to women entrepreneurs.
- 37.7%** Percentage of SBA Microloans issued to startup businesses.
- 74%** Percentage of loans used for working capital.
- 27.7%** Percentage of loans used for new equipment.

\* Data from SBA Nationwide Loan Report for Oct. 1, 2016 to Sep. 30, 2017.