



Friends of the SBA

MICROLOAN PROGRAM

May 3, 2019

The Honorable Marco Rubio
Chairman
U.S. Senate Small Business Committee
428A Russell Senate Office Building
Washington, D.C. 20515

The Honorable Ben Cardin
Ranking Member
U.S. Senate Small Business Committee
428A Russell Senate Office Building
Washington, D.C. 20515

Dear Chairman Rubio and Ranking Member Cardin:

We write in support of the Microloan Program Enhancement Act of 2019 (S. 996). The bill was introduced by Sen. Tammy Duckworth on April 4, 2019. The legislation would allow SBA Microloan intermediaries to more effectively target and serve borrowers, including rural entrepreneurs and businesses.

S. 996 includes updates to requirements of the Small Business Administration (SBA) Microloan program and the Small Business Act (15 U.S.C. §636), designed to streamline the Microloan program and improve assistance to entrepreneurs, sole proprietorships and very small businesses. The improvements would remove unnecessarily burdensome regulations and expand the reach of the program, including:

- The elimination of the 1/55 rule was also included in the President's budget and is supported by SBA, in addition to wide support from intermediaries, which have the on-the-ground expertise. As intermediaries, we have a stake in ensuring the funds are repaid to SBA, and the historically low loss rate to the SBA demonstrates we have the expertise and experience in small business lending to know where and when technical assistance is needed for each borrower;
- Increasing Technical Assistance grant percentages and appropriations would provide intermediaries with much-needed resources to expand services and effectively serve market the program in communities that might not be aware of the Microloan program. Technical Assistance funding is essential to provide assistance to harder to reach and serve entrepreneurs, especially rural businesses. From startups to expansions of existing businesses, the expert pre- and post-loan technical assistance is what makes the program and, ultimately, the small businesses it finances successful; and
- Increasing the Microloan Intermediary limit from \$6 million to \$7 million will allow state-wide lenders and especially high-demand states better meet the demand for this important source of capital.

To date, intermediary lenders used SBA Microloan funds to originate more than \$958 million in loans to small businesses that have created or retained 276,061 jobs since the program's



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inception in 1992. As noted previously, despite intermediaries serving “at risk” small businesses, the SBA Microloan program touts an exceptionally low loss rate of less than 2 percent.

In FY 2017, there were 144 SBA Microloan Intermediaries serving rural, suburban, and urban communities across 49 States, Puerto Rico, and the District of Columbia.¹

In FY 2018, intermediaries made 5,457 loans, totaling more than \$76.8 million, to small businesses supporting 20,486 jobs.² The average loan size was approximately \$14,000. SBA reports that increased program funding in FY 2017 and FY 2018 has led to increased lending production. Further, SBA added four new lenders to the program in the last fiscal year, and the number of jobs supported has increased with higher funding levels.³

The Friends of the SBA Microloan Program urges the Committee to pass the Microloan Program Enhancement Act of 2019. The Microloan program has a history of bipartisan support and we are confident that it will increase the effectiveness and reach of the SBA Microloan program, allowing Microlenders to help more minority, women, veteran, and low-income small business entrepreneurs achieve business success and financial security.

We thank you for your attention to this important matter.

Sincerely,

Access to Capital for Entrepreneurs
Bridgeway Capital
California Coastal Rural Development Corporation
CDC Small Business Finance
Center for Rural Affairs in Nebraska
Chicanos Por La Causa
Coastal Enterprises Inc.
Colorado Enterprise Fund
Common Capital
Community Ventures Corporation
Connecticut Community Investment Corporation

¹ SBA, “Fiscal Year 2019 Congressional Budget Justification and FY2017 Annual Performance Report,” p. 37, at https://www.sba.gov/sites/default/files/aboutsbaarticle/SBA_FY_19_508Final5_1.pdf. For a list of all Microloan intermediaries, regardless of lending volume, see SBA, Microloan Program: Partner Identification & Management System Participating Intermediary Microlenders Report, June 21, 2017, at https://www.sba.gov/sites/default/files/articles/microlenderrpt5_20170621.pdf.

² SBA, “Fiscal Year 2020 Congressional Budget Justification and FY2018 Annual Performance Report,” pp. 38, 39, at https://www.sba.gov/sites/default/files/2019-03/SBA%20FY%202020%20Congressional%20Justification_V2_15Mar19_508Statement_0.pdf

³ *Ibid.*, pp. 38.



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Economic Community Development Institute

Entrepreneur Fund

Justine PETERSEN

Kentucky Highlands Real Estate Corporation

LiftFund

MoFi

Mountain Association for Community Economic Development (MACED)

Northern Initiatives

Pacific Asian Consortium in Employment (PACE)

Pathway Lending

Rural Community Development Resources

Wisconsin Women's Business Initiative Corporation