



# 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 was around \$14,000 in FY 2018.
- Despite intermediaries serving “at risk” small businesses, the Microloan program historically touts a low loss rate of less than 2 percent to SBA.

### **Impact In Your Community**

- There are 147 active Microloan intermediaries, serving 49 states, the District of Columbia, and Puerto Rico.
- Intermediary lenders used SBA Microloan funds to originate more than \$1 billion in loans to small businesses that have created or retained 297,000 jobs since the program’s inception.<sup>1</sup> In FY 2019, intermediaries made 5,533 loans, totaling more than \$81.5 million, to small businesses supporting 21,237 jobs.<sup>2</sup>

### **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.

<sup>1</sup> Data provided by the SBA on March 5, 2020.

<sup>2</sup> SBA Nationwide Loan Report, October 1, 2018 through September 20, 2019.

## Federal Funding for SBA Microloans

The Friends of the SBA Microloan Program proposes the following funding levels for FY 2020, which include \$5 million in budget authority to support \$46 million in lending and \$35 million in technical assistance grants to support new and existing small business borrowers.

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.<sup>3</sup>

## SBA Microloan Program (\$ in millions)

	FY19 Final	FY20 President's Budget	FY20 House	FY20 Senate	FY20 Final
Loan Program Levels	42	40	46	40	46
Loan Budget Authority	4	4	5	4	5
TA Grants	31	25	35	31	34.5

## By The Numbers

(Data from SBA Nationwide Loan Report for October 1, 2018 through September 30, 2019.)

- 1991** The year the SBA Microloan Program was first authorized.
- \$50,000** Maximum loan amount under the SBA Microloan Program.
- \$14,734** 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.
- 5,533** Number of SBA Microloans made.
- \$81.5 M** Total dollar amount of SBA Microloans.
- 21,237** Number of jobs supported by microloan borrowers.
- \$1,648** Cost to the government per job supported by an SBA Microloan.
- 3,438** SBA Microloans issued to minority entrepreneurs.
- 2,645** SBA Microloans issued to women entrepreneurs.
- 181** SBA Microloans issued to veteran entrepreneurs.
- 38%** Percentage of SBA Microloans issued to startup businesses.
- 73%** Percentage of loans used for working capital.
- 28%** Percentage of loans used for new equipment.

<sup>3</sup> SBA, "Fiscal Year 2020 Congressional Budget Justification and FY2018 Annual Performance Report," p. 38, at [https://www.sba.gov/sites/default/files/2019-03/SBA%20FY%202020%20Congressional%20Justification\\_V2\\_15Mar19\\_508Statement\\_0.pdf](https://www.sba.gov/sites/default/files/2019-03/SBA%20FY%202020%20Congressional%20Justification_V2_15Mar19_508Statement_0.pdf)