



# ***Fact Sheet***

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## **SBA Microloan Program**

The Small Business Administration (SBA) Microloan Program provides direct loans and grants to eligible non-profit microlenders so that they may provide micro-level loans, and business based training and technical assistance to start-up, newly established and growing small business concerns.

### **Loans to Microlenders**

To be eligible to apply to become an SBA Microloan Program Intermediary Lender, a microlender must:

- have been making and servicing microloans (loans of up to \$50,000) for at least one year;
- have been directly providing business based training to its microborrowers; and,
- be a private non-profit, quasi-public, or tribally owned entity.

Eligible entities may apply for intermediary lender status and will be scored based on the documents submitted. Once selected, an intermediary may borrow up to \$750,000 during its first year of participation. After the first year, an intermediary may borrow up to \$2.5 million under any single borrowing. At no time may an intermediary's total program debt exceed \$5 million.

Interest is charged to the intermediary based on the 5-year Treasury-Bill rate minus a 1.25% or 2.00% buy-down. However, the interest rate will not go below zero. The maximum loan term is ten (10) years.

### **Grants to Microlenders**

Microlenders may receive grant funding of up to 25% of the amount borrowed to assist with the cost of providing training and technical assistance.

- At least 75% of the grant funds must be used to provide such training to microborrowers.
- Up to 25% of the grant funds provided may be used to provide pre-loan training and technical assistance to potential borrowers.

### **Matching Funds**

Intermediary lenders are required to provide a 15% cash match against their loan and a 25% cash or in-kind match against their grant, unless otherwise stipulated by the Agency.

### **Microloans**

Intermediary lenders must use the funds loaned to them by SBA to capitalize a revolving loan fund from which they must make loans to small businesses in need of \$50,000 or less.

- The maximum loan term for a microloan is six (6) years.
- Intermediaries may not charge more than 7.75% over their cost of funds on microloans of more than \$10,000
- Intermediaries may not charge more than 8.50% over their cost of funds on microloans of \$10,000 or less.
- The SBA does not review, underwrite, or have the authority to approve or deny a microloan. As such, each intermediary will, within the above parameters, determine the loan terms to the microborrower.
- Microloans are made to women, low-income, veteran, and minority entrepreneurs and others with the capacity to own and operate a small business.