



THE MICROLOAN PROGRAM FOR ENTREPRENEURS

The Micro Loan Program provides very small loans to start-up, newly established, or growing small business concerns. Under this program, SBA makes funds available to nonprofit community based lenders (intermediaries) which, in turn, make loans to eligible borrowers in amounts up to a maximum of \$35,000. The average loan size is about \$10,500. Applications are submitted to the local intermediary and all credit decisions are made on the local level.



ELIGIBILITY REQUIREMENTS

Virtually any type of for-profit small business is eligible for the Microloan Program. The form of the business whether a proprietorship, partnership or corporation, is not a determining factor. It must, however, meet the SBA's size standards at the time of application. Generally, businesses applying for this type of loan will fall well within these standards. Not-for-profit child-care centers are also eligible to apply.

TERMS, INTEREST RATES AND FEES

The maximum term allowed for a Microloan is six years. However, loan terms vary according to the size of the loan, the planned use of funds, the requirements of the intermediary lender, and the needs of the small business borrower. Interest rates vary, depending upon the intermediary lender and costs to the intermediary from the U.S. Treasury.

USE OF LOAN FUNDS

Microloan funds may be used for working capital or to purchase inventory, supplies, furniture, fixtures, machinery and equipment. Funds may not be used to purchase real estate or to provide a down payment on real estate.

CREDIT REQUIREMENTS

A Microloan applicant must meet the credit requirements of the local intermediary lender. Generally, the applicant will be expected to have good character, a strong commitment to his/her business idea, and a credit history that provides reasonable assurance that the loan will be repaid. In addition, the applicant should have some management expertise or be willing to participate in training designed to strengthen management skills.

COLLATERAL

Each intermediary lender has its own lending and credit requirements. However, business owners contemplating application for a micro loan should be aware that intermediaries will generally require some type of collateral, and the personal guarantee of the business owner.

APPLYING FOR A MICROLOAN

The first step in applying for a Microloan is to contact your local intermediary lender. (listed on other side) The intermediary will provide information on applying for a loan and receiving technical assistance.

TECHNICAL ASSISTANCE

Each intermediary is required to provide business based training and technical assistance to its micro borrowers. Individuals and small businesses applying for micro loan financing may be required to fulfill training and/or planning requirements before a loan application is considered.

