



SBA Procedural Notice

TO: All SBA Employees and Microloan Intermediaries

CONTROL NO.: 5000-21003

SUBJECT: Changes to the Microloan Program under the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (PL 116-260)

EFFECTIVE: March 8, 2021

The purpose of this Notice is to provide guidance on the implementation of Section 329 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act), enacted December 27, 2020, Pub. L. 116-260.

A. Effective December 27, 2020 through September 30, 2021, the following temporary changes to the Microloan Program apply:

1. Increase of the total amount an Intermediary may borrow under the Microloan Program

The maximum amount of all outstanding loans to an Intermediary under the Microloan Program is temporarily increased to \$10,000,000. Note that this limit reduces to \$7,000,000 on October 1, 2021. As a result, SBA will not make any new loans to an Intermediary on or after that date until the Intermediary's total outstanding Microloan Program debt is less than \$7,000,000.

2. Increase of the maximum amount an Intermediary may borrow from SBA in FY2021

Existing Intermediaries may request new loans from SBA under the Microloan Program in amounts up to \$4,500,000. The maximum amount that an Intermediary may borrow in its first year of participation remains \$750,000. The aggregate amount of all loans received between October 1, 2020, and September 30, 2021, may not exceed \$4,500,000.

3. Waiver of grant match requirements

The 25 percent matching funds requirement for technical assistance (TA) grants is waived for FY2020 grants for the period from January 1, 2021 through June 30, 2021 and for new grants awarded in FY2021 for the period from July 1, 2021 through September 30, 2021.

4. Waiver of the limitations on TA grant expenses

The requirement that not more than 50 percent of grant funds be used to provide assistance to prospective borrowers and the requirement that not more than 50 percent of grant funds be used for third-party TA contracts is waived for FY2020 grants for the period from January 1, 2021 through June 30, 2021 and for new grants awarded in FY2021 for the period from July 1, 2021 through September 30, 2021.

5. Increase of the maximum Microloan term to eight years

Intermediaries may extend the terms of existing Microloans to eight years. New Microloans made between December 27, 2020, and September 30, 2021, may have a maximum maturity of eight years.

B. The following permanent changes are required by the Economic Aid Act, and will be implemented as described below:

1. Increase in the total amount an Intermediary may borrow under the Microloan Program

Beginning October 1, 2021, the maximum amount of all outstanding loans to an Intermediary under the Microloan Program will be \$7,000,000.

2. Increase in the maximum amount an Intermediary may borrow from SBA per year

Beginning October 1, 2021, the maximum amount an Intermediary may borrow per year (except for the first year) is \$3,000,000. The maximum amount an Intermediary may borrow during its first year of participation remains \$750,000.

3. Maximum Microloan term

Beginning October 1, 2021, the maximum term of a new Microloan is seven years, and the term of any existing Microloan may not be extended beyond seven years.

4. Expanded eligibility for Intermediaries to receive a bonus grant

Currently, Intermediaries that maintain a portfolio of Microloans averaging \$10,000 or less are eligible for a bonus grant equal to 5 percent of the Intermediary's total outstanding SBA loan balance. The Economic Aid Act expands eligibility for bonus grants to: (a) Intermediaries that provide not less than 25 percent of their Microloans to small businesses located in or owned by one or more residents of an economically distressed area and (b) Intermediaries with a Microloan portfolio of which at least 25 percent is serving rural areas. For FY21, SBA will award bonus grants based on portfolios averaging \$10,000 or less. SBA is working to implement the expanded bonus eligibility provisions and will issue further guidance for future grant cycles.

5. Minimum TA grant amount and increase in the maximum TA grant amount

The Economic Aid Act provides a new minimum grant amount of 25 percent of an Intermediary's total outstanding SBA loan balance and increases the maximum grant

amount to 30 percent of an Intermediary's total outstanding SBA loan balance. Intermediaries eligible for bonus grants may receive an additional grant, for a total eligible maximum grant amount of 35 percent of the total outstanding SBA loan balance. These minimum and maximum amounts only apply in fiscal years in which the amount appropriated for TA grants is sufficient to provide all Intermediaries with a grant equal to 25 percent or more of their total outstanding SBA loan balances. SBA plans to provide all eligible Intermediaries with a 30 percent grant for FY21.

Questions

Questions concerning this Notice may be directed to [Dan Upham](#), Chief, Microenterprise Development Division.

Dianna L. Seaborn
Director
Office of Financial Assistance