



Fact Sheet

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 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 a maximum of \$750,000 during its first year in the Microloan Program. After participating in the program for more than one year an intermediary may then borrow a maximum \$1.25 million per loan provided its total program debt does not exceed \$5 million at any given time.

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.

- 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% match against their loan and a 25% match against their grant. In some instances, exceptions may be made.

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.

For further details please go to <http://www.sba.gov/content/microloan-program> Or email microloans@sba.gov

Updated 05/2012