



Microloan Program

Small Business/Microborrower Fact Sheet

The Small Business Administration (SBA) Microloan Program provides funding to non-profit lenders (Intermediaries) which, in turn, may provide direct loans of \$50,000 or less to small businesses. The Intermediaries also provide business based training and technical assistance to their current and potential borrowers.

Microloans to Small Businesses

Loans made by Intermediaries under this program are referred to as Microloans.

- Microloans may be for as much as \$50,000. There is no minimum established by the SBA, although some Intermediaries may establish a minimum as a part of their lending program. If acquiring multiple loans borrowers may owe a maximum of \$50,000 in microloan debt at any given time.
- The maximum loan term for a microloan is six years (72 months). The average loan term is about 40 months.
- Interest rates are established using the 5 Year Treasury Bill Rate in effect at the time funds are loaned to the Intermediary. The Interest rate charged to small businesses/microborrowers will be based on the intermediary's cost of funds and other credit and collateral considerations. Therefore, the interest rate on microloans may vary from time to time and from lender to lender. Most interest rates on microloan will be slightly higher than the market rate and are determined as follows:
 - Intermediaries may charge up to 7.75% over their cost of funds on microloans of more than \$10,000
 - Intermediaries may charge up to 8.50% over their cost of funds on microloans of \$10,000 or less.
- Microborrower must certify to their Intermediary that they have attempted to acquire credit from private sources before applying for a microloan.

SBA Limitations

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.

To find a list of Intermediaries near you please go to:

http://www.sba.gov/sites/default/files/Microloan%20Intermediary%20List_11.pdf

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

Updated 05/2012