

# Introduction to the Office of Economic Opportunity - Microloan Program



U. S. Small Business Administration – [www.SBA.gov](http://www.SBA.gov)

# Agenda

1. Office of Economic Opportunity Programs
2. Microloan Program - How it works
3. Program Highlights – Statistics - FY2010 – FY2016
4. Resources / Contacts
5. Microloan Program – Application Process

# Office of Economic Opportunity (OEO)

## Community Advantage (CA)

- Loan Guaranty – up to \$250K – Non-profit Lenders

## Intermediary Lending Pilot Program (ILPP)

- Direct Loans – up to \$200K – Non-profit Lenders

## Microloan Program

- Direct Loans – up to \$50K – Non-profit Lenders
- Technical Assistance Grants

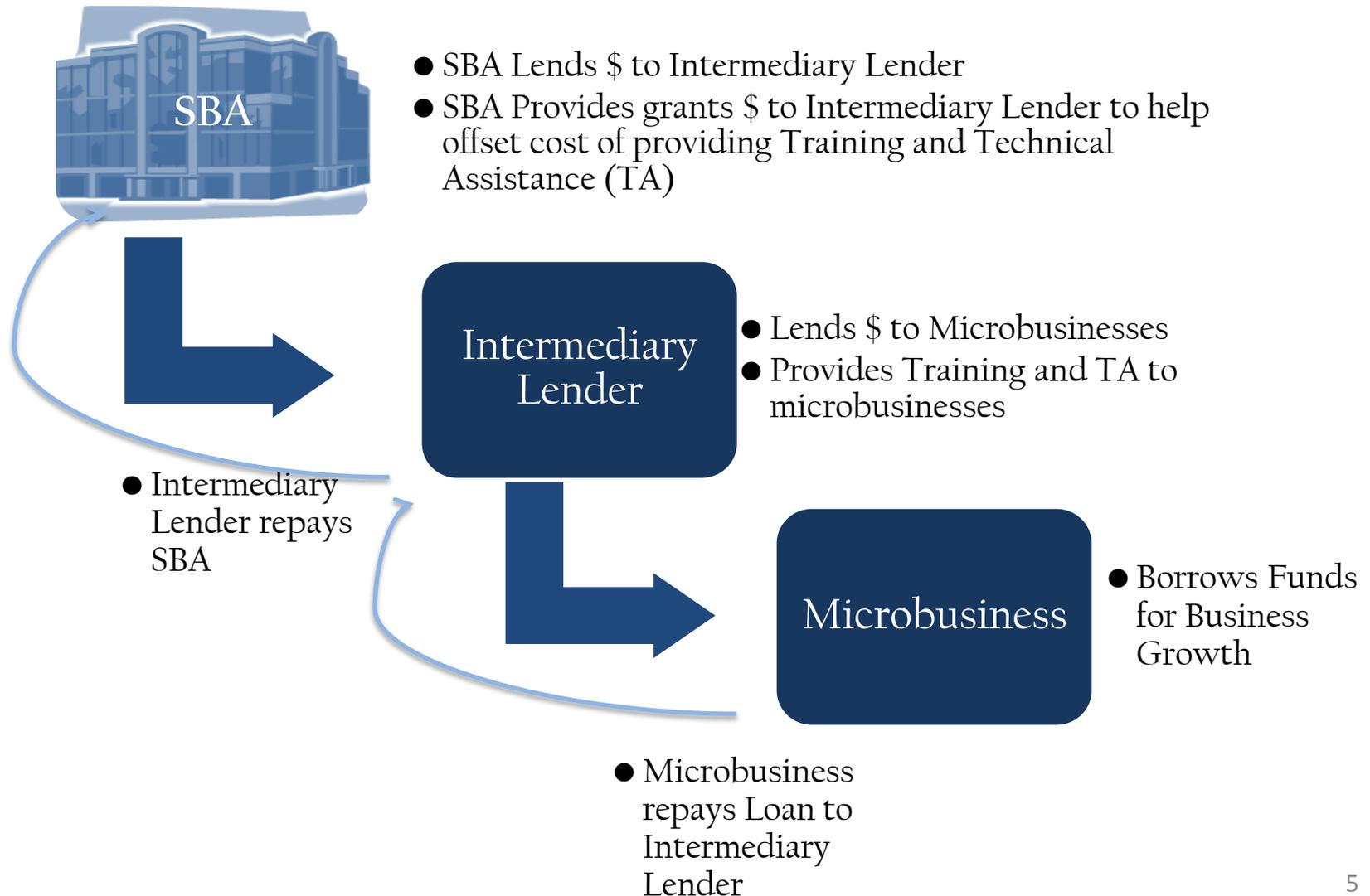
## PRIME Grant Program

- Grants up to \$250K
  - Technical Assistance
  - Capacity Building
  - Research and Development

# Microloan Program

- The Microloan Program was created to assist women, low income, minority, and veteran entrepreneurs, and others in obtaining small amounts of business capital, along with business based training and technical assistance.
- Microloans must be made to for profit businesses. Non-profit child care businesses are also eligible.

# How the Microloan Program Works



# How the Microloan Program Works

## SBA Loans to Intermediary Lenders

### Max. Borrowing

- \$750,000 (1<sup>st</sup> loan)
- \$2,500,000 (subsequent loans)
- \$5,000,000 (Maximum Program Debt Outstanding)

### Maturity

- 10 Years from Date of Note

### Interest Rate

- 5 year T-Bill Rate less 2% for average microloan size under \$10,000; otherwise less 1.25%

### Collateral

- Intermediary's Microloan Revolving Fund, Loan Loss Reserve Fund, and Microloan Notes

### Matching Funds

- 15% of Loan Disbursements must be matched with non-borrowed, non-Federal funds

### Use of Proceeds

- To make direct, short term, fixed rate loans of \$50,000 or less

# How the Microloan Program Works

## Loans from Intermediary to Microbusiness

### Loan Amount

- Up to \$50,000

### Maturity

- Up to 6 years (72 months)

### Interest Rate

- Fixed rate, up to:
  - Cost of Funds + 8.50% (if microloan is \$10,000 or less)
  - Cost of Funds + 7.75% (if microloan is above \$10,000)

### Use of Proceeds

- To make loans for supplies, furniture, fixtures, materials, equipment, or working capital

### Collateral

- Required at Intermediary's discretion – flexibility in structuring loan

### Underwriting/Servicing

- Decisions made by Intermediary - not SBA
- According to Intermediary's policies and procedures

# How the Microloan Program Works

## Technical Assistance Grants

SBA provides Grant funding to Intermediary Lenders who in turn provide free business training and Technical Assistance to their microbusiness clients.

- Intermediary provides ongoing training and technical assistance to microbusinesses (minimum 75% for post-loan TA)
- Grant dollars help defray the cost of providing training and technical assistance to micro borrowers and potential micro borrowers.
- Grant Amount up to 25% of Intermediary's outstanding debt to SBA.
- 25% matching funds required

# Microloan Program Highlights

Active Intermediary  
Lenders  
(Current)

- 150 (Approx.)

SBA Loans Disbursed to  
Micro-Lenders  
(Historical)

- \$537,294,00 Million (as of 12/31/16)

Microloans Closed  
(Historical)

- 64,857 Loans Closed
- \$797 Million Funded to Micro Businesses
- \$12,290 (Avg. Microloan Size)

Jobs Created/Retained  
(Historical)

- Created – 94,593
- Retained – 138,841

# Program Highlights

## Current Year / Past 5 FY Comparison

### Microloans Closed

	<u>FY2016</u>	<u>FY2011 – 2016 Average</u>
●Number Closed	4,512	4,272
●Dollars Closed	\$61,426,440	\$53,964,330

### Underserved Market Indicators

	<u>FY2016</u>	<u>FY2011 – 2016 Average</u>
●Start Ups	40.63%	45.46%
●Women-Owned	45.21%	43.94%
●Hispanic	16.16%	25.07%
●African American	32.06%	27.95%

### Jobs Data

	<u>FY2016</u>	<u>FY2011 – 2016 Average</u>
●Jobs Created	6,768	6,307
●Jobs Retained	11,091	9,677

### Microloan Data

	<u>FY2016</u>	<u>FY2011 – 2016 Average</u>
●Average Size	\$13,614.02	\$12,630
●Average Interest Rate	7.51%	7.73%
●Months Average Term	40.3 Months	37.6 months

# Microloan Program Resources / Contacts

- URL for SBA Microloan Webpage
  - <http://www.sba.gov/content/microloan-program>
- List of Active Intermediary Lenders
  - Found at the bottom of the Microloan Webpage
  - [https://www.sba.gov/sites/default/files/articles/microlenderrpt\\_160111.cfm.pdf](https://www.sba.gov/sites/default/files/articles/microlenderrpt_160111.cfm.pdf)
  - Microloan Program SOP - <https://www.sba.gov/sites/default/files/sops/SOP-52-00-A-Microloan.pdf>
- Daniel Upham, Chief, Microenterprise Development Division
  - [Daniel.upham@SBA.gov](mailto:Daniel.upham@SBA.gov)
  - 202-205-7001

# SBA Microloan Program Application Process

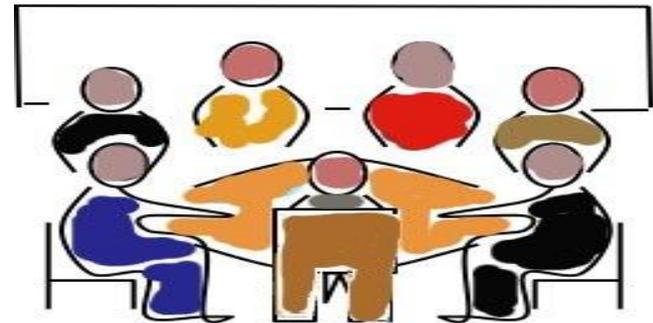
## WHAT DOES SBA LOOK AT IN A NEW APPLICATION?

- Eligibility

- Non-Profit
- At least 1 Year Direct Lending & Loan Servicing Experience
- At least 1 Year In-house Technical Assistance Experience

- Qualification

- Personnel – Relevant Micro-lending Experience
- Lending – Experience
- Training / TA Experience
- Financial Strength/Stability



# SBA Microloan Program Application Process (Cont'd.)

## WHAT'S REQUIRED IN THE APPLICATION?

- 1 - cover sheet.xls
- 2 - SBA 1081.pdf
- 3 - Lending History Chart.xls
- 4 - Cost of Lending Calculation.xls
- 5 - Item 10 Chart.xls
- 6 - Cert. of Contracts sba1711.pdf
- 7 - Disclosure of Lobbying Activities sfillin.pdf
- 8 - Debarment sba1623.pdf
- 9 - Resolution of the Board of Directors sba160.pdf
- 10 - Security Agreement SBA1059.pdf
- 11 - Microloan SOP 52 00 (FINAL).pdf

# SBA Microloan Program Application Process (Cont'd.)

## WHERE DO I GET THE APPLICATION ZIP FILE?

- From the Local SBA District Office
  - <https://www.sba.gov/tools/local-assistance/districtoffices>

## WHERE DO I DELIVER COMPLETED APP.?

- To the Local SBA District Office

## WHAT HAPPENS NEXT?

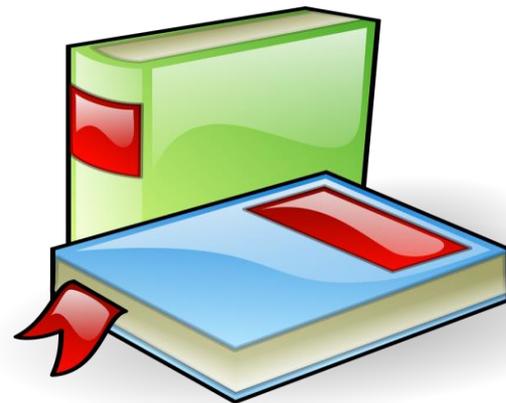
- SBA District Office reviews for Completeness / Delivers to HQ
- HQ Reviews for Eligibility and Qualification / Makes Final Decision

# Application Process (Cont'd.) - Cover Sheet

1	Applicant's signed statement giving SBA permission to obtain additional information regarding applicant's relationship with creditors, other federal agencies, or other entities as necessary to evaluate this application.
2	A copy of applicant's IRS tax exempt certificate, Conflict of Interest Policy, and a Certificate of Good Standing from the Secretary of State.
3	A complete copy of the applicant's Mission Statement, Articles of Incorporation, and Bylaws, as amended.
4	An organizational chart with explanation.
5	A list of corporate officers and directors with a resume and Form 1081 for each individual listed.
6	A list of personnel instrumental to the microlending operation (current and proposed) with a resume and a Form 1081 for each individual listed.
7	Copies of the Applicant's year end audited financial statements for the last three years. If application is submitted after July 1 of any given year, also submit Year to Date balance sheets. Also, include a separate schedule of non-federal sources of funding, and funds received, for the period covered by the financial statements.
8	Completed charts, suggested formats attached, regarding client demographics, lending activities, technical assistance (TA) activities, and delivery costs. Also include a set of loan policies and procedures.
9	A map of the current area of operation.
10	A description of the applicant's current service area detailing the following: <ol style="list-style-type: none"> <li>identification of urban, rural, and/or distressed areas (see definition) within the service area.</li> <li>characteristics of the area's small business community with analysis of micro-level financial and technical assistance needs.</li> <li>charts, suggested formats attached, regarding economic, unemployment, and poverty characteristics.</li> </ol>
11	A 6-10 page narrative detailing microlending and TA programming provided to date and planned uses of the subject funds for changes or expansion of the applicant's current activities. Include information regarding: <ol style="list-style-type: none"> <li>any planned geographic expansion (provide expanded maps and appropriate charts)</li> <li>a description of current microenterprise activities and any lending and TA expansion/enhancement plans subject to approval of this application.</li> <li>current and planned integration of internal TA programming with other community resources.</li> </ol>
12	Signed forms (provided) as follows: <ol style="list-style-type: none"> <li>Certification for Contracts, Grants, Loans and Cooperative Agreements (SBA Temp Form 1711)</li> <li>Disclosure of Lobbying Activities (SF LLL)</li> <li>Certification Regarding Debarment, Suspension, and other Responsibility Matters - Primary Covered Transactions (SBA Temp Form 1623)</li> <li>Compensation Agreement (SBA Form 159)</li> <li>Resolution of the Board of Directors (SBA Form 160)</li> <li>Security Agreement</li> </ol>

# APPLICATION RULES

1. Read the Microloan Program SOP
2. Give clear description of current lending and TA programs
3. Follow the directions / Cover Sheet carefully
4. Only deliver a complete application
5. Use the Lending History and TA History templates provided



# Questions and Point of Contact



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