

## **U.S. Small Business Administration**

### **The Facts About ... The Microloan Program for Entrepreneurs**

The Microloan Program combines the resources and experience of the U.S. Small Business Administration with those of locally based nonprofit organizations to provide small loans and technical assistance to small businesses.

Under the Microloan Program, the SBA makes funds available to qualified nonprofit organizations, which act as intermediary lenders. The intermediaries use these funds to make loans of up to \$35,000 to new and existing small businesses. The intermediaries also provide management and technical assistance to help ensure success.

### **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.

### **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.

### **Loan Terms**

The maximum Microloan is \$35,000. The average-sized loan is around \$10,500.

The maximum term allowed for a loan is six years. Terms may vary according to the size of the loan, the planned use of funds, the requirements of the intermediary lender, and the needs of the borrower.

Microloans are direct loans from the intermediary lenders and are not guaranteed by the SBA. Interest rates vary, depending upon the intermediary lender.

### **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 Requirements**

As with credit standards, collateral requirements for the Microloan Program are set by each local intermediary lender. In most cases, loans are at least partially collateralized by equipment, contracts, inventory or other property. Lenders may also require personal guaranties.

## **Applying for a Microloan**

The first step in applying for a Microloan is to contact your local intermediary lender. Since the Microloan Program is not available everywhere, contact your local SBA district office to find out if there is a Microloan intermediary in your area. The intermediary lender will provide information on applying for a loan and receiving technical assistance.

## **For More Information**

- SBA offices are located in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam. For the office nearest you, look under "U.S. Government" in your telephone directory, or contact:
  - Phone: 1-800 U ASK SBA
  - Fax: 202-481-6190
  - E-mail: [answerdesk@sba.gov](mailto:answerdesk@sba.gov)
  - TDD: 704-344-6640
  - Your rights to regulatory fairness: 1-888-REG-FAIR
  - Internet
    - SBA Home page: <http://www.sba.gov>
    - Gopher: <http://www.sba.gov/gopher>
    - U.S. Business Advisor: <http://www.business.gov>

## **SBA Partners**

Inquire at your local SBA office for the location nearest you.

- Business Information Centers (BICs)
- Tribal Business Information Centers (TBICs)
- One Stop Capital Shops (OSCSs)
- Service Corps of Retired Executives (SCORE)
- Small Business Development Centers (SBDCs)
- U.S. Export Assistance Centers (USEACs)
- Women's Business Centers (WBCs)

## **Publications**

- The Facts About ... SBA Publications – a listing of free SBA publications

## **SBA – America's Small Business Resource**

Did you know that in fiscal 2000 the SBA –

- backed a record of nearly \$18 billion in financing to America's small businesses?
- approved more than 50,400 small business loans totaling almost \$12.4 billion?

- made more than 4,600 investments worth \$5.6 billion through its venture capital program – a 33 percent gain over fiscal 1999?
- provided more than 28,000 loans totaling approximately \$1 billion to disaster victims for residential, personal-property and business loans?
- extended management and technical assistance to an estimated 1.23 million entrepreneurs through its resource-partner programs?
- responded to almost a quarter million telephone and e-mail inquiries at the SBA Answer Desk?

**Did you know that America's 25 million small businesses –**

- employ more than 58 percent of the private work force?
- generate more than 51 percent of the nation's gross domestic product?
- are the principal source of new jobs?

**Did you know that the Microloan Program –**

- has loaned more than \$112 million to start-up, newly established and growing small businesses?
- has provided small businesses with over 12,500 loans of \$35,000 or less since 1992?
- has assisted other small businesses in obtaining over \$24 million in loans from nongovernment sources?

All of the SBA's programs and services are provided to the public on a nondiscriminatory basis.

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