



# Friends of the SBA

## MICROLOAN PROGRAM

The Friends of the SBA Microloan Program encourage Members of Congress to request 2023 Appropriations for the SBA Microloan Program including:

- *Microloans: \$9 million in Budget Authority (BA), supporting approximately \$110 million in lending*
- *Microloan technical assistance: \$41 million*

APPROPRIATIONS SUBCOMMITTEE	AGENCY	ACCOUNTS
Financial Services & General Government	Small Business Administration (SBA)	Entrepreneurial Development Program/Business Loan Programs

### PROGRAMMATIC FUNDING REQUEST FOR SBA MICROLOAN PROGRAM

<b>Amount Requested for FY 2023</b>	<ul style="list-style-type: none"> <li>• Business Loan Account: \$9 million BA to support \$110 million in lending authority.</li> <li>• Entrepreneurial Development Program Account: \$41 million for technical assistance.</li> </ul>
Amount in FY 2023 President's Budget:	<ul style="list-style-type: none"> <li>• \$110 million/ \$9 million (BA)</li> <li>• Technical Assistance Grants: \$41 million</li> </ul>
Increase/Decrease over President's Budget:	N/A
<b>FY 2022 Appropriations (Enacted) :</b>	<ul style="list-style-type: none"> <li>• Loans: \$6 million (BA); \$110 million in loans</li> <li>• Technical Assistance Grants: \$37 million</li> </ul>

Proposed FY 2023 Appropriations: (\$ in million)		FY 23 Budget	House	Senate
	Micro Loans	\$110 / (\$9)		
	TA Grants	\$41		

### PROGRAM DESCRIPTION AND JUSTIFICATION FOR FY'22 REQUEST

The SBA Microloan Program was authorized in 1991 (PL 102-140) to provide small loans and technical assistance (TA) to businesses that conventional lenders were and remain unable to finance for a variety of reasons including the lack of sufficient collateral or business experience. Working through a network of community based intermediary lenders, the SBA Microloan Program is able to finance and support new and emerging businesses in urban and rural communities and eventually move these businesses into the economic mainstream as bankable ventures.

Intermediary lenders participating in the SBA Microloan Program receive two streams of funding from the SBA: a direct SBA loan to the intermediary lender that is used to capitalize a revolving business loan fund, and grant funds to help support costs associated with providing technical assistance to business borrowers. **Direct SBA loans** to the intermediary lender carry a 10-year term with a fixed interest rate based on the 5-year Treasury note and the lender must contribute a non-federal match equal to 15 percent of the SBA dollars borrowed in addition to maintaining a loan loss reserve equal to 15 percent of the lenders outstanding small business loans.

Intermediary lenders are eligible to receive **SBA technical assistance (TA) grants** on an annual basis, and the amount of the TA grant is based on the number of loans made in the previous year, the lender's outstanding debt to SBA and the availability of appropriated funds. To receive a TA, grant a lender must also contribute a match of non-federal funds equal to 25 percent of the TA grant.

Through FY 2020, intermediary lenders have used SBA Microloan funds to originate more than \$1.039 billion in loans to small businesses that have created 123,095 jobs and retained 190,851 jobs since the program's inception in 1992. Of this total more than \$260 million to support rural businesses and more than \$465.7 million to minority entrepreneurs. \$61.4 million has been lent to veteran entrepreneurs, and more than \$435.6 million has been lent to more than 41,200 woman-owned businesses. In FY 21, Microlenders made an additional 4510 loans totaling \$74.7 million. Of this amount 63 percent went to existing businesses, 36.9 percent to starts-ups; 48 % to women owned businesses; 66.9 percent to for minority owned enterprises. This financing led to the creation of 7500 jobs and the retention of over 10,000 jobs. (*Nationwide Loan Report Data provided by SBA staff to the Friends of the SBA Microloan Program on March 5, 2020, and January 28,2022*)

There 144 active Microloan intermediaries, serving 49 states, the District of Columbia, and Puerto Rico. <sup>1</sup> In FY 21 alone, Microlenders made 4510 loans totaling \$74.7 million. Of this amount 63 percent went to existing businesses, 36.9 percent to starts-ups; 48 % to women owned businesses; 66.9 percent to for minority owned enterprises. This financing led to the creation of 7500 jobs and the retention of over 10,000 jobs.

Since the program's inception in 1992 intermediary lenders have used SBA Microloan funds to originate more than \$1.1 billion in loans to small businesses that have created 130,000 jobs and retained 200,000 jobs .

## **PROGRAM FUNDING HISTORY**

FY 2018 (HR 1625): \$3.48 million in BA for \$36 million in lending authority; \$31 million in technical assistance  
FY 2019 (HR 31): \$4 million in BA for \$42 million in lending authority; \$31 million in technical assistance  
FY 2020 (HR): \$5 million in BA for \$46 million in lending authority; \$34.5 million in technical assistance  
FY 2021 (HR 133): \$5 million in BA for \$55 million in loan authority; \$35 million for technical assistance;  
FY 2022 (HR 2471) \$6 million in BA for \$110 million in lending authority; \$37 million for technical assistance.

<sup>1</sup> SBA, Fiscal Year 2021 Congressional Budget Justification and FY2019 Annual Performance Report, pp. 36, 165, at <https://www.sba.gov/document/report-congressional-budget-justification-annual-performance-report>

<sup>2</sup> Small Business Microloan Program, Congressional Research Service, accessed January 19, 2021, at <https://fas.org/sgp/crs/misc/R41057.pdf>

<sup>3</sup> SBA, "Fiscal Year 2020 Congressional Budget Justification and FY2018 Annual Performance Report," p. 38, at [https://www.sba.gov/sites/default/files/2019-03/SBA%20FY%202020%20Congressional%20Justification\\_V2\\_15Mar19\\_508Statement\\_0.pdf](https://www.sba.gov/sites/default/files/2019-03/SBA%20FY%202020%20Congressional%20Justification_V2_15Mar19_508Statement_0.pdf)