



# 2009 RECOVERY ACT



## HELPING SMALL BUSINESS START, GROW AND SUCCEED

### Microloans Help Small Businesses Start, Grow and Succeed

Wondering where to turn for a small loan to start a business or upgrade technology for your growing enterprise? Whether you need financing to start a one-person, home-based business such as child care, or you're feeling growing pains and need to upgrade your business infrastructure, an SBA microloan may be just the answer.

SBA's Microloan Program provides small loans of under \$500 and up to \$35,000 to start-up, newly established, or growing small businesses. The average microloan size is about \$13,000. While the microloan program is open to all entrepreneurs, the program especially supports underserved markets, including borrowers with little to no credit history, low-income borrowers, and women and minority entrepreneurs in rural and urban areas who generally do not qualify for conventional loans, or other, larger SBA guaranteed loans.

Small businesses are our nation's No. 1 private sector job creators. Helping a new business get off to the right start and assisting business owners as they grow successful enterprises is the ultimate goal of SBA's Microloan Program. To maximize chances for success, borrowers must participate in training, classroom or one-to-one counseling and other forms of technical assistance.

One step to take before applying for a microloan is developing your business plan or updating your current business plan. SBA has many online resources to help you start, grow and succeed in your business. The resources available to entrepreneurs and small business owners include an assessment tool to determine if you are ready to start a small business, a tutorial on developing your business plan, and training courses such as "How to Prepare a Loan Package." Go to [www.sba.gov](http://www.sba.gov) to discover what SBA has to offer.

Microloan applications are submitted to a community-based, non-profit intermediary that serves as a microlender who then makes loans directly to entrepreneurs like you. All credit decisions are made by the microlender at the local level.

Increased funding under the American Recovery and Reinvestment Act allows SBA to finance up to \$50 million in new lending and provides an added \$24 million in technical assistance grants to microlenders through September 2010. Expanding SBA's Microloan Program helps ensure that entrepreneurs have loan options and are not left behind in the credit crunch.

### Understanding SBA's Microloan Program

- **Loan Purpose:**

Loans may be used for typical business purposes such as working capital, machinery and equipment, inventory and leasehold improvements.

- **Terms, Interest Rates, and Fees:**

The maximum term allowed for a microloan is six years. However, the terms vary according to the size of the loan, the planned use of funds, the requirement of the micro lender, and the needs of the small business borrower.

Interest rates vary, depending on the microlender and costs of SBA funds from the U.S. Treasury. Usually, these rates will not be more than 8 to 9 percent, and may be less. Rates are negotiated between the borrower and the microlender.

- **Collateral:**

Each microlender has its own lending and credit requirements. However, business owners considering applying for a microloan should be aware that these lenders will generally require some type of collateral, and the personal guarantee of the business owner to repay the loan.

- **Technical Assistance:**

Microlenders are required to provide each borrower with business-based training and technical assistance. Each microloan borrower may be required to fulfill training and/or planning requirements before a loan application is considered. There are usually requirements for continuing training after the loan is closed.

- **How to Apply:**

Entrepreneurs and small business owners are encouraged to submit their microloan applications to the intermediary microlender in their area.

Microlenders are located in 46 of the 50 states, the District of Columbia and Puerto Rico. Alaska, Rhode Island, Utah and West Virginia are the only states without an intermediary lender. Rhode Island is currently being served by South Eastern Economic Development from Taunton, Mass. and a portion of West Virginia is being served by the Washington County Council on Economic Development out of Washington, Pa.

The following URL will lead you to more information on SBA's Microloan Program and a list of microlenders by state:

**<http://www.sba.gov/services/financialassistance/sbaloantopics/microloans/index.html>**

SBA loan programs now provide greater incentives to you the lender, are more affordable for small business owners, and help to drive economic recovery in your community.

For more information, click on **[www.sba.gov/recovery](http://www.sba.gov/recovery)**.

All SBA programs and services are provided on a nondiscriminatory basis.