

Friends of the SBA Microloan Program

Fact Sheet on the Microloan Program: Fiscal Year 2027

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

\$ in Millions	FY 24/25 Final	FY 26 Final	FY 27 Request
SBA Microloan TA	\$41	\$41	\$46
SBA Microloans (BA) / loan volume	\$6 (110)	\$3 (70)	\$6 (100)

PROGRAM DESCRIPTION AND JUSTIFICATION FOR FY 27 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 are and remain unable to finance for a variety of reasons, including insufficient collateral or business experience. Working through a network of community-based intermediary lenders, the SBA Microloan Program finances and supports new and emerging businesses in urban and rural communities.

Intermediary lenders participating in the SBA Microloan Program receive two streams of funding from the SBA: a direct SBA loan used to capitalize a revolving business loan fund, and grant funds to support costs associated with technical assistance for 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 of 15 percent of the lender's outstanding small business loans.

The Microloan statute, Section 7(m)(4)(A), authorizes annual technical assistance grants of up to 25 percent of an intermediary's outstanding loan balance. Section 7(m)(4)(C) allows additional technical assistance incentive grants of up to 5 percent of the outstanding loan amount for an intermediary making at least 25 percent of its loans in economically distressed areas or having a loan portfolio averaging not more than \$10,000 or having at least 25 percent of its loan portfolio in rural areas. The current outstanding loan balance for Microloan intermediaries is approximately \$200 million. An appropriation of at least \$60 million for technical assistance grants will be necessary to provide technical assistance grants equal to 25% of the outstanding loan balance, along with incentive grants.

137 active Microloan intermediaries serve 49 states, the District of Columbia, and Puerto Rico. 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, creating 130,000 jobs and retaining 200,000 jobs.

FY 2024	FY 2025	FY 2026 (to date)
5,336	4,614	3,300
<i>loans made</i>	<i>loans made</i>	<i>loans made</i>
\$86.29 million	\$74.54 million	\$53.11 million
avg. loan \$16,172	avg. loan \$16,154	avg. loan \$16,094

FY 27 REQUEST

The FY 27 request includes \$46 million for Microloan Technical Assistance and \$6 million in budget authority to support \$100 million in loans to intermediaries. This request will allow microlenders to meet the credit needs of very small businesses and entrepreneurs and also support microlenders working in distressed communities and rural areas, and make small loans by allocating \$5 million in technical assistance appropriations to support intermediaries making smaller loans, working in rural areas and economically distressed areas, as authorized under Section 7(m)(4).