

Microloans

The Microloan Program provides very small loans to start-up, newly established, or growing small business concerns. Under this program, SBA makes funds available to nonprofit community-based lenders (intermediaries) which, in turn, make loans to eligible borrowers.

Amounts, Terms, Interest Rates, and Fees

The maximum term allowed for a microloan is six years. However, loan terms vary according to the size of the loan, the planned use of funds, the requirements of the intermediary lender, and the needs of the small business borrower. The maximum loan amount is \$35,000, however, the average loan amount is around \$13,000. Interest rates vary, depending upon the intermediary lender and costs to the intermediary from the U.S. Treasury. Generally these rates will be between 8% and 13%. Applications are submitted to the local intermediary and all credit decisions are made on the local level.

Collateral

Each intermediary lender has its own lending and credit requirements. However, business owners contemplating application for a microloan should be aware that intermediaries will generally require some type of collateral, and the personal guarantee of the business owner.

Technical Assistance

Each intermediary is required to provide business-based training and technical assistance to its microborrowers. Individuals and small businesses applying for microloan financing may be required to fulfill training and/or planning requirements before a loan application is considered.

How to Apply:

Small businesses that are interested in applying for a microloan should contact a microlender in their area.

Microlenders (Intermediaries) 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. Rhode Island is currently being serviced by South Eastern Economic Development out of Taunton, MA, and a portion of West Virginia is being serviced by Washington County Council on Economic Development out of Washington, PA.

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