

SBA Micro-Loans

The Micro-Loan Program provides very small loans to start-up, newly established or growing small business concerns. Under this program, the Small Business Administration (SBA) makes funds available to nonprofit community based lenders (intermediaries) which in turn make loans to eligible borrowers in amounts up to a maximum of \$35,000. The average loan size is about \$10,500. Applications are submitted to the local intermediary, and all credit decisions are made on the local level.

TERMS, INTEREST RATES AND FEES:

The maximum term allowed for a micro-loan 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. Interest rates vary depending upon the intermediary lender and costs to the intermediary from the U.S. Treasury.

COLLATERAL

Each intermediary lender has its own lending and credit requirements. However, business owners contemplating application for a micro-loan 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 micro-borrowers. Individuals and small businesses applying for micro-loan financing may be required to fulfill training and/or planning requirements before a loan application is considered.

This is merely a brief description of the 7(a) program and is not intended to fully disclose all the requirements and criteria for this program. More information regarding this program and other SBA services can be found at: <http://www.sba.gov/>.

For more information, contact the EDC at (309) 661-6332.