

United States Senate

WASHINGTON, DC 20510

April 10, 2014

The Honorable Tom Udall
Chairman
Appropriations Subcommittee on Financial Services and General Government
U.S. Senate
Washington, DC 20510

The Honorable Mike Johanns
Ranking Member
Appropriations Subcommittee on Financial Services and General Government
U.S. Senate
Washington, DC 20510

Dear Chairman Udall and Ranking Member Johanns:

We are writing to request that the Fiscal Year 2015 Financial Services and General Government Appropriations Act provide \$24.6 million for the Small Business Administration's (SBA) Microloan Program which is the enacted funding level provided in the 2014 Consolidated Appropriations Act (P.L. 113-76).

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 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 our communities and eventually move these businesses into the economic mainstream as bankable ventures.

While the official SBA definition of a small business is one with fewer than 500 employees, more than 80 percent of all businesses in this country employ 10 or fewer employees and these businesses have always been a critical source of employment and new jobs - especially during a recession. The Microloan Program is especially helpful to these smaller businesses.

Participating intermediary lenders are a 'one-stop-shop' where a business can secure flexible financing as well as individualized business assistance as needed throughout the life of a loan. This model has enabled intermediary lenders to maintain healthy and growing loan portfolios while financing businesses deemed 'un-bankable' by conventional lenders.

Intermediary lender receives two streams of funding from the SBA: direct SBA loans are used to capitalize an intermediary's revolving business loan fund and grant funds help support the costs associated with the lender providing technical assistance and support to a business as and when needed. SBA loans to an intermediary lender carry a 10-year term and an interest rate based on the 5-year Treasury bill. An intermediary's annual TA grant amount is based on the number of loans closed in the previous year and the intermediary's outstanding debt to SBA. All intermediary lenders are required to provide a non-federal match equal to 15% of the loan

amount from SBA and lenders maintain a loan loss reserve for the life of the loan. In addition, intermediary lenders provide a 25% non-federal match on all TA grant funds.

Since the program was launched in 1991, intermediary lenders have borrowed \$389 million from the SBA and made over \$574 million in loans to small businesses that have created or retained 170,000 jobs at a cost to the federal government of less than \$2,300 per job. There are currently over 160 intermediary lenders participating in the program and in 2013 alone, these lenders made 4,842 loans totaling \$54.5 million to small businesses supporting 15,636 jobs.

The President's Budget request would maintain program authority for the SBA Microloan Program at the FY 2014 level with \$2.1 million less in budget authority for loans based on the reduced subsidy rate assigned to loans under the program. We recommend the 2015 Appropriation bill direct \$2.5 million in budget authority to support \$25 million in new loans and \$22.1 million in technical assistance grants to support new and existing small business borrowers.

We strongly support the SBA's Microloan program and hope you will provide at least \$24.6 million in your Fiscal 2015 Appropriation bill so intermediary lenders can continue to finance, support and grow small businesses in communities across the country. Should you have any questions about this programmatic request please have your staff contact Alison Pascale in the office of Senator Carl Levin at 224-9117.

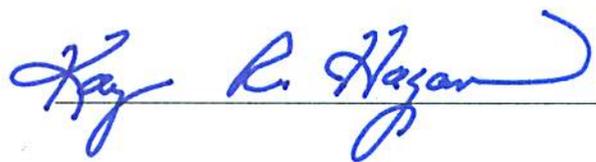
Thank you.

Sincerely,













Janne Shakes

Edward J. Markey

Elizabeth Warren

Al Franken

John E. Walsh

Chuck Schumer

Janny Baldi

Ben Rayburn

Devin Nunes

Mark Warner

Frank Rosten

Richard Blumenthal

August King

Max G. Baucus

Amy Klobuchar

John Tester

My dear

Dear

My dear