

Congress of the United States
Washington, DC 20515

May 18, 2005

The Honorable Frank Wolf
Chairman
Appropriations Subcommittee
Science, State, Justice, and
Commerce, and Related Agencies
U.S. House of Representatives
Washington, DC 20515

The Honorable Alan Mollohan
Ranking Member
Appropriations Subcommittee
Science, State, Justice, and
Commerce, and Related Agencies
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Wolf and Ranking Member Mollohan:

We are writing to express our support for the Small Business Administration (SBA) Microloan Program and respectfully request that the SSJC appropriations bill include an appropriation of \$20 million in lending capital (which would require a \$2.05 million appropriation) and \$17 million in technical assistance for the program in FY 2006.

The Microloan program is a vital economic development program, permitting low-income individuals to become self-employed and self-sufficient. Last year, the Microloan program provided such entrepreneurs with \$23 million in very small loans and \$15 million in associated technical assistance.

While mainstream financial institutions have been actively lending loan amounts below \$100,000, they have not been lending to those types of individuals that access funds through the Microloan program. In general, Microloan borrowers would not qualify for conventional financing due to any number of reasons including poor credit history, lack of collateral, or lack of business training. In fact, the typical Microloan borrower's FICO score is easily 100-200 points below that of a borrower through the SBA's 7(a) loan program.

Microloan intermediaries, who are typically community-based, not-for-profit organizations, work with these types of potential borrowers to fully develop their business proposals, greatly increasing the likelihood of an entrepreneur's success. Because banks often refer these types of borrowers to Microloan lenders, the dissolution of the Microloan program would leave many would-be entrepreneurs without any means, other than high-priced credit cards, to secure capital.

The Microloan program is designed to reach those entrepreneurs with little access to the capital tools necessary to start a successful business venture. Over 40 percent of Microloans are made to start-up businesses across the country. As a result, previously "unbankable" small business owners increase their credit worthiness and often move on to hire employees and receive larger loans from mainstream private sector banks.

In addition, the Microloan program serves overlooked communities in rural America—with over 40 percent of all loans going to entrepreneurs in rural areas. The extensive geographic dispersion of Microloan intermediaries across the country means that entrepreneurship is an option for everyone—from the deserts of the Southwest through the rural Appalachians and everywhere in between.

The Microloan program has been an extremely successful program for the SBA, consistently meeting its goals and experiencing an incredibly low 0.05 percent default rate. As we have demonstrated above, this program is a critically important component of the SBA loan portfolio and should be funded accordingly. Please include \$20 million in lending capital (which would require a \$2.05 million appropriation) and \$17 million in technical assistance for the SBA Microloan Program in the FY 2006 SSJC appropriations bill.

Sincerely,

Hyun H. Kim

Linda F. Smiley

Robert Monroff

William F. Watts

Grace J. Napolitano

Barney Frank

John L. Mangan

Paul H. Krugell

Eric Linn

J. Amodeo

Tom Udall

Paul M. Hujalua

William C. Pate

Peter A. Fitz

Elijah E. Cummings

Ernie L. Enge

Art Hill

Donald M. Payne

Cardyn B. Malony

Jewell Hadley

Major R. Owens

Sherrill Brown

Ralph M. Hall

Alex. Anty

Sally Day

Maddie J. Bordele

Jim Wolf

Steve Sae

Albert R. Upton

Michael D. Michael

Shelley Buckley

Carolyn McCutcheon

Rick Zeman

Ed Case

John Smith

Mark Deall

Stephen J. Byrd

Hyd Doggett

Harold Ford

Melissa J. Bean

Stephen Pubbe Jones

Rush Holt

Zany Balchri

Jim McDermott

Tung My

Tom All

Sam Carr

Van Buren

Dave From

Leann H. Baucus

Danny K. Davis

Diana Feltz

Al Green

Julia Carson

Neil Abernethy

Eddie Lennie Johnson

Deirre

Barbara Lee

John Shaky

Daniel Lipinski

Emmanuel

Paul Hill

Heida L. Solis

Rubin Hinojosa
