

# SBA microloan program faces budgetary ax

As the SBA's microloan program faces elimination, its proponents worry about how its absence would affect South Florida's entrepreneurs.

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Unless Congress steps in to perform budgetary CPR, the Small Business Administration's microlending program is dead.

The initiative designed to put modest loans into the hands of entrepreneurs who might not have stellar credit is slated for elimination in the fiscal 2007 budget. While it's too soon to tell whether or not the program is down for the count — it has been saved twice in the past — what is certain is its death would be mourned in South Florida.

From 2000 to 2005, the program provided some \$1.2 million in loans to 971 entrepreneurs in Miami-Dade and Broward counties and provided business training for thousands more.

In Miami-Dade those funds are supplemented by \$355,000 in county funds earmarked for microlending initiatives. But in Broward, the SBA financing is all there is for very small loans, said Miltoria Fordham, executive director of Micro-Business USA, the agency that manages the initiative in the area.

The SBA program "is extremely important but particularly for the people in Broward County," she said.

The program works by requiring entrepreneurs to take a series of classes before they are eligible for loans of up to \$35,000 — the SBA definition of a microloan.

## BANK RELUCTANCE

The reluctance of banks to issue loans for such small amounts was one of the primary reasons the microlending program was created in 1993, said SBA Spokesman Mike Stamler.

But times have changed, he said. In fiscal 2005, through the SBA's flagship 7(a) loan program, commercial banks issued 36,000 loans under \$35,000.

During that same time, the microloan program provided 2,488 loans worth \$32.5 million.

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— MILTORIA FORDHAM,  
executive director of Micro-Business USA

gram cost the government \$14 million, or about 2 percent of the SBA's budget.

"The microloan program is quite expensive for the number of people it reaches," Stamler said. "And the 7(a) program is doing such a good job in getting lenders to make smaller loans."

The SBA's 2007 budget request is for \$624 million, which the administration says should allow it to provide a record \$28 billion in loans under its flagship programs.

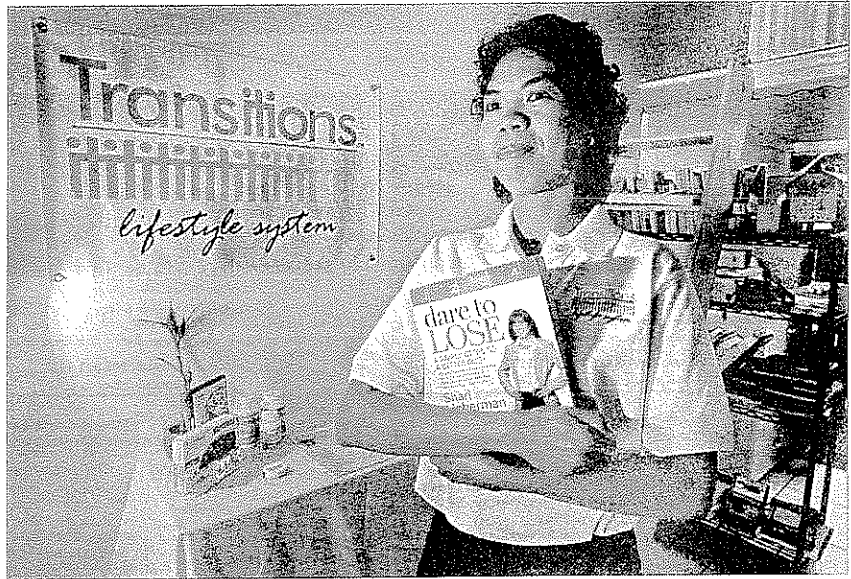
But those programs miss two points, said Bill Edwards, executive director of the Association of Enterprise Opportunity, which lobbies for microlending and microenterprise initiatives on Capitol Hill. First, most SBA programs require applicants to pass the credit standards of the issuing banks. Secondly, the other programs do not include a training component.

While the SBA argues that it pumps more than \$100 million a year into technical assistance programs, Williams said only the microlending program is effectively reaching low- and middle-income entrepreneurs.

## REACHING OUT

"All things being equal, you could make the case that the microloan program was not necessary in our society," he said. "But [last year] alone it reached 2,400 businesses in the country that would not have been reached otherwise."

About three years ago, a bank loan was out of reach for Marcia Cooper. Recovering from the death of her husband and supporting two daughters, the 40-year-old Sunrise resident said her finances were weak and her credit was shaky. But through Micro-Business she learned how to put together a business plan and received a \$500 loan for six months to get her health



CANDACE WEST/MIAMI HERALD STAFF

**IN BUSINESS:** Marcia Cooper was able to start her business with the help of a \$500 SBA microloan.

ground.

Now her business, Life Enhancing Journeys, is thriving, she said.

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