

## Why GAO Did This Study

SBA's Microloan Program integrates microlevel financing (loans up to \$50,000) with training and technical assistance for small businesses, including those owned by women, low-income, veteran, and minority entrepreneurs. The John S. McCain National Defense Authorization Act for Fiscal Year 2019 included a provision for GAO to review the program.

This report examines (1) characteristics of borrowers and intermediaries in the Microloan Program, (2) program oversight of intermediaries and borrowers, (3) program performance measures, and (4) collaboration within SBA and with other agencies.

GAO reviewed program documents; analyzed SBA demographic and performance data; reviewed documents on similar programs from the Departments of the Treasury and Agriculture; and interviewed agency officials. GAO also reviewed documents and interviewed officials from a non-generalizable sample of 10 intermediaries, selected to provide a range in the number of loans made and average loan size.

## What GAO Recommends

GAO is making five recommendations to SBA, including that it enhance program guidance on data collection and performance measurement, explore opportunities for additional collaboration with other federal agencies, and develop plans for providing additional public reporting on the program. SBA agreed with three recommendations and partially agreed with two. GAO maintains that its recommendations should be fully addressed to improve the program.

View [GAO-20-49](#). For more information, contact William B. Shear at (202) 512-8678 [shearw@gao.gov](mailto:shearw@gao.gov).

# SBA MICROLOAN PROGRAM

## Opportunities Exist to Strengthen Program Performance Measurement, Collaboration, and Reporting

### What GAO Found

GAO analysis of data for the Small Business Administration's (SBA) Microloan Program found that in 2014–2018, approximately 80 percent of microloans went to borrowers who identified themselves as women-owned, veteran-owned, or minority-owned businesses or low-income. In addition, most of the intermediaries (nonprofit lenders) that provide the loans participated in at least one other federal microlending activity. For example, 73 percent of intermediaries (122 of 168) in the program are also Department of the Treasury's Community Development Financial Institutions (designated private-sector financial institutions).

SBA has mechanisms in place for oversight of intermediaries and borrowers, including some established in response to recommendations of the SBA Office of Inspector General (OIG). For example, SBA

- developed a plan for conducting site visits of intermediaries, and
- updated guidance for documentation requirements from certain borrowers.

SBA also requires intermediaries to report various loan and borrower information into the program's data reporting system.

The Microloan Program has data collection and performance measurement procedures, but GAO identified weaknesses in these efforts. For example, one of the objectives of the program is to assist low-income borrowers, but program guidance does not define low-income. Another program objective is to develop and provide timely, accurate, and useful output and outcome data. However, GAO and the SBA OIG found deficiencies in how some information on borrower business outcomes was collected and recorded. As a result, SBA lacks quality information to help assess program performance in these areas. SBA also has not taken steps to ensure its planned new data reporting system will capture information needed for assessing program performance. Specifically, as of August 2019, SBA had not taken appropriate advance planning steps—such as involving relevant offices in SBA or considering what data will be needed to assess program performance.

The Microloan Program collaborates informally with other SBA programs on oversight and other activities, but has little collaboration—for example, no information-sharing agreements—with other federal agencies that engage in microlending activities. As a result, the program may be missing opportunities to enhance collaboration and leverage existing resources from agencies that collect similar types of data. In addition, although SBA reports some aggregate data on the financial performance of the program, it does not include data on the populations served. Publicly reporting such data, as other agencies do, could provide greater transparency around program results and achievements.