

NEWS RELEASE

For Immediate Release

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AEO BOARD CHAIR ASKS CONGRESS TO PRESERVE SBA MICROLOAN PROGRAM

Betancourt tells House Subcommittee SBA Program Works!

ARLINGTON, VA – March 5, 2008 -- The chair of the leadership organization representing the smallest of small businesses today called on Congress to preserve the SBA Microloan Program, described as a program that works, makes good use of federal dollars and is a key to the success of these establishments.

Daniel Betancourt, chair of the Association for Enterprise Opportunity (AEO), said that the SBA Microloan Program has helped small businesses succeed because of the availability of loan capital and funding for technical assistance and business training. “It is a cost-effective program that has been very successful at creating and retaining jobs in communities throughout the country,” Betancourt told a House Small Business Subcommittee on Finance and Tax. He noted that without the program, many small businesses – microenterprises – would likely fail.

A microenterprise is a business with five or fewer employees, usually requiring \$35,000 or less to start up. AEO is the national leadership organization for microenterprise development in the United States.

President Bush has proposed to eliminate the funding for the SBA Microloan Program in his FY 2009 budget. The Program provides both loan capital and funds for technical assistance and business training to microenterprise development organizations like Community First Fund in Lancaster, PA, where Betancourt serves as president and CEO. Loan capital is offered to these organizations at a lower than market rate, which, in turn, enables them to make loans to entrepreneurs who normally would have difficulty accessing capital from banks and other traditional sources of financing.

The President’s proposal would eliminate all funding for Microloan lending capital and technical assistance, and raise the interest rate on the funds borrowed by Microloan Intermediaries, organizations like Community First Fund. By eliminating the funding, interest on microloans would increase, making it difficult for Intermediaries to keep costs down.

Betancourt told the Subcommittee that it would be necessary to pass on higher interest rates to the microentrepreneurs, creating an economic hardship for them and making it more difficult for them to grow their businesses. “This would lead to fewer jobs created, and fewer tax dollars paid,” Betancourt said, calling it a strategy that is counter to the original reason Congress created the Microloan Program.

The Association for Enterprise Opportunity (AEO) is the voice of microenterprise development. For nearly two decades, AEO and its hundreds of member organizations in the U.S. have helped more than two million entrepreneurs support themselves and their families and contribute to their communities through business ownership. AEO is based in Arlington, VA. Visit us at www.microenterpriseworks.org to learn more about AEO and microenterprise.

Community First Fund, a Community Development Financial Institution (CDFI) and SBA guaranteed lender has made more than 600 loans totaling more than \$16 million since its inception in 1992. Headquartered in Lancaster, PA, Community First Fund serves 13 counties in central Pennsylvania and currently has a loan fund of more than \$10 million. For more information, visit www.commfirstfund.org.

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