MICROLOANS AND COMMUNITY LENDERS

Small, flexible loans from mission-driven lenders, often with coaching, for founders who can't get a bank loan yet.

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AT A GLANCE

- **Microloans** are small business loans, often from a few thousand dollars up to about $50,000.
- They often come from **CDFIs** (community development financial institutions) and other nonprofit lenders focused on underserved founders.
- They usually look at your **whole story**, not just your credit score, and many include free coaching.

WATCH OUT

2026 eligibility change: the US SBA Microloan program now generally requires businesses to be 100% owned by US citizens or US nationals. Many CDFIs and nonprofit lenders also lend **their own funds** under different rules, so founders who are green card holders or visa holders should ask each lender which programs they qualify for. Rules change often.

Why it matters

Banks often turn down new businesses, founders with thin credit, and owners without collateral. Community lenders exist to fill that gap. A microloan paid on time also builds the credit history you'll need for larger loans later.

How they work

Feature	Typical microloans
Size	A few thousand dollars up to about $50,000
Term	Often 1 to 6 years
Interest	Usually higher than a bank loan, but much lower than many online or cash-advance lenders
Credit	More flexible; many work with low or no credit history
Collateral	Sometimes required, often flexible
Extras	Business coaching, workshops, help with your plan
Uses	Equipment, inventory, supplies, working capital

These are general ranges. Each lender sets its own terms.

Step by step

1. **Find community lenders** near you. Search for CDFIs in your area, and ask your small business center.
2. **Call and ask** about loan sizes, eligibility, rates and what they need.
3. **Prepare your documents**: a short business plan, a budget, a use-of-funds plan, bank statements, ID, and tax returns if you have them. See **R-25 Use-of-Funds Plan**.
4. **Be ready to explain** your credit history honestly.
5. **Take the coaching** if it's offered. It's free expertise.
6. **Pay on time**, every time, to build credit for your next loan.

> EXAMPLE
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> **Joseph** was turned down by his bank for a $20,000 equipment loan because his business was only 9 months old. A local CDFI lent him $20,000 over 4 years after reviewing his sales records and a short plan. They also matched him with a volunteer accountant. Two years later, with a strong payment record, his bank approved a larger loan.

Common mistakes

- **Going to expensive online lenders first.** Check community lenders before high-cost options.
- **Not asking about eligibility rules** that may apply to you.
- **Borrowing more than the business can repay.** Check your monthly payment against your cash flow. See **M-06 Cash Flow: Why Profitable Businesses Still Run Out of Money**.
- **Skipping the coaching.**

Your checklist

☐ Find two or three community lenders near you

- ☐ Ask each about size, rates and eligibility
- ☐ Prepare your plan, budget and use-of-funds
- ☐ Check the monthly payment fits your cash flow
- ☐ Apply, and take any coaching offered

Key words, explained

Word	What it means
Microloan	A small business loan, often up to about $50,000.
CDFI	A lender focused on underserved communities.
Working capital	Cash to run the business day to day.
Credit history	Your record of borrowing and repaying.

Where to go next

- **R-06 Small Business Loans and SBA Loans**
- **M-11 Building Business Credit**
- **R-25 Use-of-Funds Plan**

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