

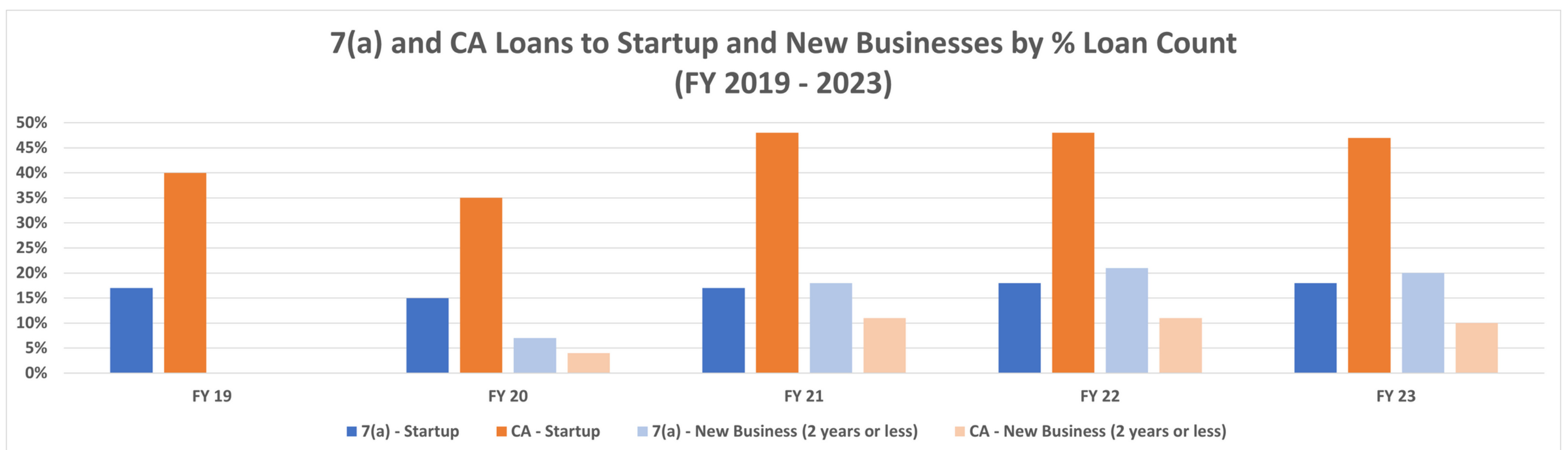
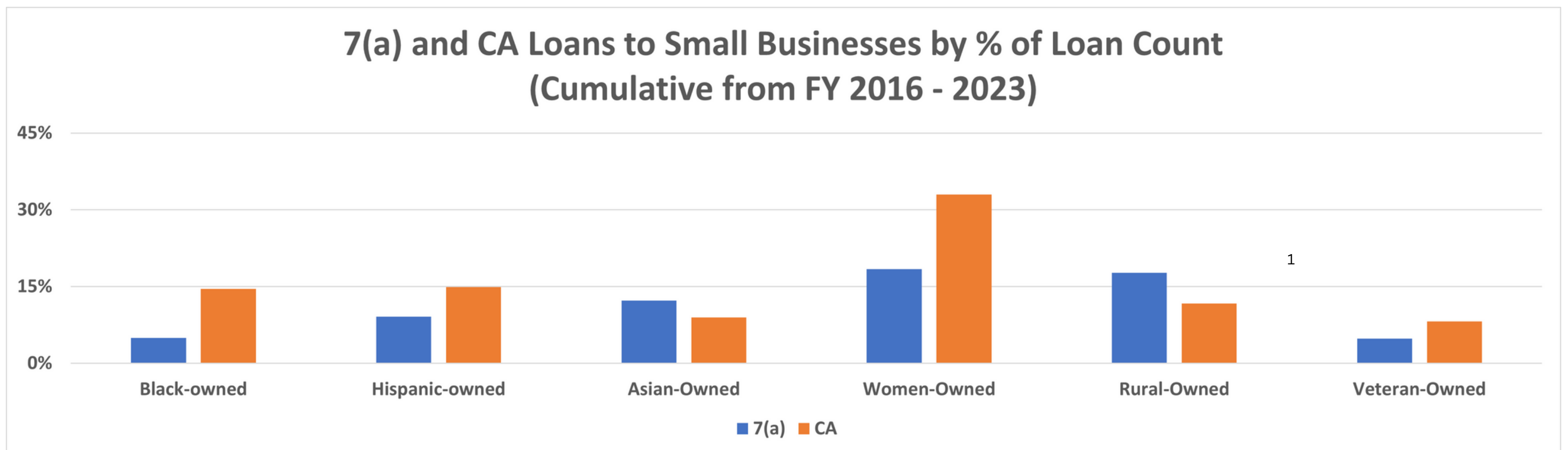


7(A) COMMUNITY ADVANTAGE PROGRAM

The 7(a) Community Advantage (CA) loan guarantee program was created as a pilot by the U.S. Small Business Administration (SBA) in 2011 with the goal of expanding SBA-backed lending in underserved markets. The SBA pilot grants certain mission-led lenders 7(a) guarantee authority for loans of \$350,000 or less made to qualified small businesses. A CA lender is required to make at least 60% of its loans in underserved markets as defined by SBA. According to SBA, there are currently 117 CA lenders including a cross-section of CDFIs, CDCs and Microlenders. Since the first CA loan was approved in 2012, CA lenders have made 8,464 loans totaling \$1,165,322,100 to small businesses in markets that historically have been underserved by conventional lenders.

Based on SBA data for lending in FY 2023, the average size of a CA loan was \$176,636. In comparison, the average conventional 7(a) loan was \$479,685. The average CA loan amount started to increase after the SBA increased the cap on CA loans from \$250,000 to \$350,000. While the number of small loans made by conventional 7(a) lenders has increased, these loans are still going to businesses that are ‘bankable’ whereas CA lenders intentionally target viable businesses that are not - but with the goal of making the venture bankable.

Conventional 7(a) lending to minority- and women-owned businesses increased between FY 2016 and FY 2023, but the following charts show how CA lending to Black-, Hispanic-, Startup and women-owned businesses has consistently outpaced 7(a) lending.



The impact of the CA program has shown that CDCs, CDFIs, and Microlenders have the ability to effectively support and grow businesses in underserved markets. The Mission Lenders Working Group (MLWG) urges Congress to pass the bi-partisan Community Advantage Loan Program Act of 2023 (S. 2482), which codifies the Community Advantage program. The Act would build on the demonstrated success and lessons learned from the CA pilot to extend its impact on small business development and growth in underserved markets.

Note: For a more comprehensive analysis of data trends and detailed charts on 7(a) and Community Advantage (CA) loans to underserved communities, please visit the MLWG website [here](#). For a detailed chart illustrating 7(a) and Community Advantage (CA) loans to target markets by percent of loan count from fiscal year 2016 to 2023, please refer to this [link](#).



Mission Lenders Working Group

CLOSING THE CREDIT GAP SINCE 2011

COMMUNITY ADVANTAGE SUCCESS STORIES

Community Advantage (CA) lenders have a profound impact on the businesses they finance and the communities they serve. The CA program was intentionally designed and implemented to reach, finance and support small businesses in markets often overlooked by conventional financial institutions.



Justin Lee Brines and Kendra Janell Brines used a \$3,000 micro loan from Justine PETERSEN to start Brines Towing Services, LLC in the rural community of Strafford, Missouri (MO-7). As the business grew, they sought larger amounts of capital from various banks and credit unions but faced a series of setbacks. In addition to the startup nature of their business, their personal credit scores of 594 and 622 made them ineligible for financing from traditional banks.

Fortunately, the Community Advantage program enabled Justine PETERSEN to continue supporting the growth of Brines Towing Services through a \$127,600 loan with a 120-month term. The loan, which the Brines received in August 2021, enabled them to acquire a used tow truck to expand their business. In addition to the loan, Justine PETERSEN offered personalized credit-building strategies to help the business owners improve the long-term financial health of their business and their household. After successfully working with Justine PETERSEN with a perfect payment record, improved business financials, and improved credit, they were able to refinance their Community Advantage loan with their bank in May 2022. Helping businesses become "bankable" is a key tenet of the CA program.

The success of Brines Towing Services success stands as a testament to the transformative power of Community Advantage loans, empowering small businesses and their communities to thrive. In addition to transforming their own financial futures, the business has enabled the Brines to create five quality jobs to support their rural community.



Shelenia and Rico Nelson, both proud U.S. Air Force veterans, have always aspired to forge a brighter future for their family, particularly for their son, Cory, who faces unique barriers to employment due to a disability. In starting their family doughnut shop, they dreamed of generating economic stability for their family while providing Cory with a fulfilling role.

Their journey began as they approached several banks, only to face the disheartening reality of not qualifying for a loan. However, a glimmer of hope emerged when a Wells Fargo banker stepped in with a referral to LiftFund.

With determination and LiftFund's support, Shelenia successfully secured a LiftFund loan through the Community Advantage program for \$70,000 with a 5 year loan term in March 2015. The funds enabled them to purchase essential kitchen equipment and build out their food truck, Krack of Dawn Donuts in Round Rock, Texas (TX-17). The Nelson family's doughnut shop has blossomed into a thriving business offering more than 40 delectable doughnut varieties and a menu of delicious Southern dishes. Through hard work they repaid their loan in full in March 2020.

The Nelsons envision a future where they continue to empower not only their family but also other individuals and families seeking opportunities for growth and success. "If it wasn't for LiftFund, we wouldn't be where we are now," Shelenia expressed with gratitude. "We are here to change lives and grow."

WHAT IS THE MISSION LENDERS WORKING GROUP?

CA lenders organized the Mission Lenders Working Group (MLWG) in 2015 to collaborate on best practices and inform policymakers of the program's impact in underserved communities. MLWG members make up a diverse mix of organizational size and geographic location. Together, the MLWG represents roughly half of all CA lending in terms of loan count and volume to date.

