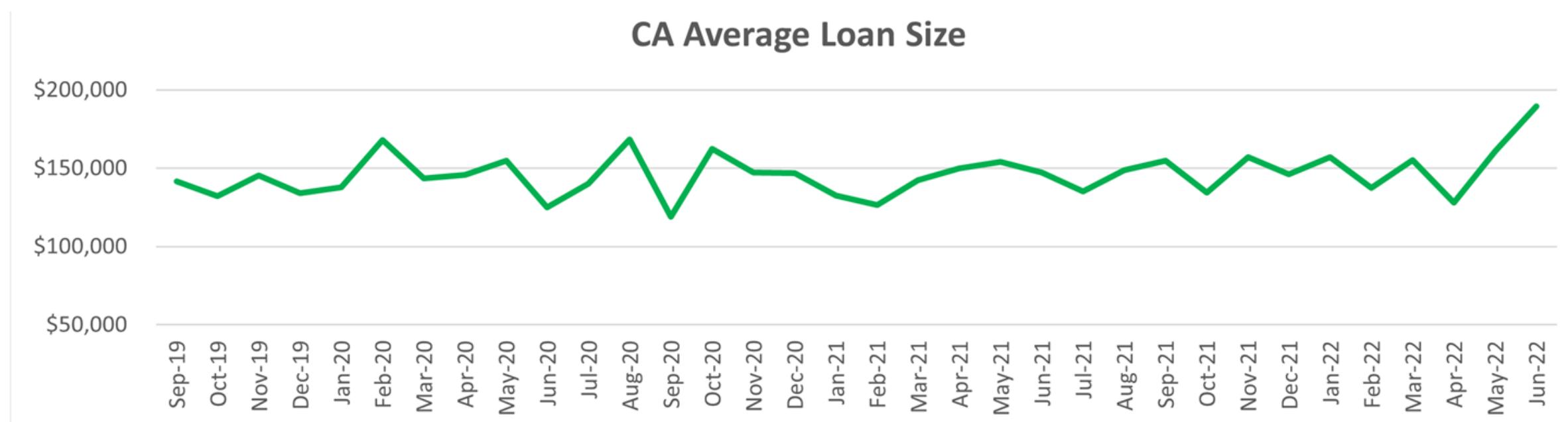




7(A) COMMUNITY ADVANTAGE PROGRAM

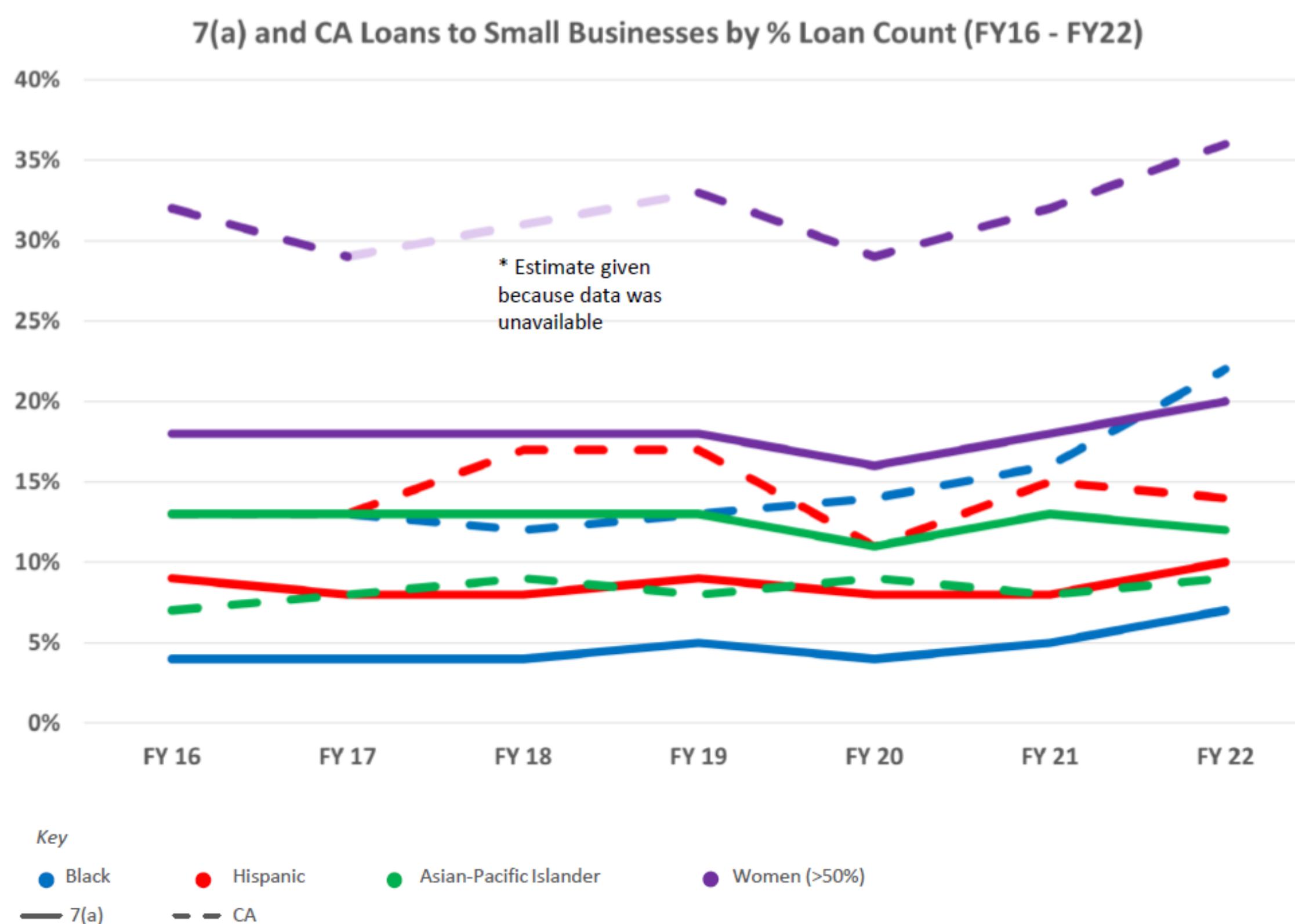
The 7(a) Community Advantage (CA) program was created as a pilot by SBA in 2011 with the goal of expanding SBA-backed lending in underserved markets. Under the pilot, the SBA grants certain mission-led lenders 7(a) guarantee authority for loans of \$350,000 or less made to qualified small businesses. To be designated as a CA lender an organization must be an SBA certified CDC, an SBA Microloan Intermediary, or a Treasury certified CDFIs. Once designated, a CA lender is required to make at least 60% of its loans in underserved markets as defined by SBA. There are currently 110 designated CA lenders.

Since the first CA loan was approved in 2012, CA lenders have dispersed 7,459 loans totaling \$1,013,816 to small businesses in markets that historically have been underserved by conventional lenders.



On April 29, 2022 the SBA announced that the CA pilot, scheduled to sunset at the end of FY 2022, would be extended through FY 2024 and that the moratorium SBA had placed on certifying new CA lenders would be lifted. The SBA also announced a series of CA pilot reforms including increasing the maximum CA loan size from \$250,000 to \$350,000. The CA pilot reforms took effect on May 31, 2022.

Based on SBA data for lending in FY 2022, the average size of a CA loan was \$153,243 and the average conventional 7(a) loan was \$538,465. And as the chart above shows, the size of a CA loan started to increase after the SBA raised the cap on CA loans. All CA loans of \$150,000 or less continue to have an 85% guarantee and all CA loans above \$150,000 have an 75% guarantee.



Conventional 7(a) lending to minority- and women- owned businesses increased between FY 2016 and FY 2022, but the chart to the left shows how CA lending to Black-, Hispanic-, and women-owned businesses has consistently and significantly outpaced 7(a) lending.

Both CA and conventional 7(a) lending fell during the pandemic when focus shifted to processing PPP loans. Starting in FY20, CA lending started to pick up with lenders continuing to target a significant percentage of their lending to women-, Black-, and Hispanic-owned businesses.



Mission Lenders Working Group

CLOSING THE CREDIT GAP SINCE 2011

Community Advantage has operated as a "pilot" since it was launched in 2011 and in that time SBA has issued several short-term extensions of the pilot including the most recent 2-year extension announced in April. But CA lenders are seeking certainty about the program's future beyond 2024 and asking policy makers to make the CA program permanent based on the success of the pilot. CA lenders have demonstrated that Microloan Intermediaries, CDCs and CDFIs have the intentionality, the capacity and the experience needed to reach, finance and grow businesses in the underserved markets that SBA has been working to serve more effectively. Therefore, the Mission Lenders Working Group is urging Congress and the Administration to support codifying Community Advantage as a mission-driven loan program that grants CDCs, CDFIs, and Microlenders SBA guarantee authority and the support needed to reach, finance and sustain businesses in underserved markets and generate a pipeline of small business customers for conventional 7(a) lenders or banks.

COMMUNITY ADVANTAGE SUCCESS STORIES



Alfonso Wright and Jamila McGil have always had a proactive, entrepreneurial spirit. After countless hours of researching and collaborating with local partners, Alfonso and Jamila secured a CA loan from [Pursuit Lending](#). Thanks to the CA loan, Brooklyn Tea is able to serve over sixty hot and cold teas, provides "free, expert-level tea education" to their customers, and is poised for significant expansion. Brooklyn Tea has become a staple of their community: "(We) feel rewarded when like-minded people meet at our tearoom for the first time and become fast friends or business partners. The betterment of the physical, social, and emotional health of the people we serve is why we do what we do!"



Throughout the pandemic, CA lenders were also instrumental in delivering crucial Paycheck Protection Program (PPP) loans to ensure that underserved businesses could access elusive funds after being turned away by banks. California-based CDC Small Business Finance tracked down Fresno flower shop owner Rosie Torres after learning about her struggle to obtain a PPP loan on ABC NightLine. CDC provided hands-on assistance to help Rosie submit all required documents and complete her application just ahead of the June 2020 deadline. "I cried when I got the good news," Rosie said, explaining that "small business owners like me can easily fall through the cracks, but I would tell CDC truly wanted to help, and they did."

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.

