



7(A) COMMUNITY ADVANTAGE PROGRAM

The 7(a) Community Advantage (CA) program was created as a pilot in 2011 to expand access to SBA-guaranteed loans of up to \$250,000 for underserved small businesses. There are approximately 100 CA lenders consisting of SBA Certified Development Companies (CDCs), SBA Microloan Intermediaries, and Community Development Financial Institutions (CDFIs).

\$140,000

Average CA loan in FY 2020



\$530,000

Average 7(a) loan in FY 2020

To date, mission lenders have approved

\$850 million

in Community Advantage loans

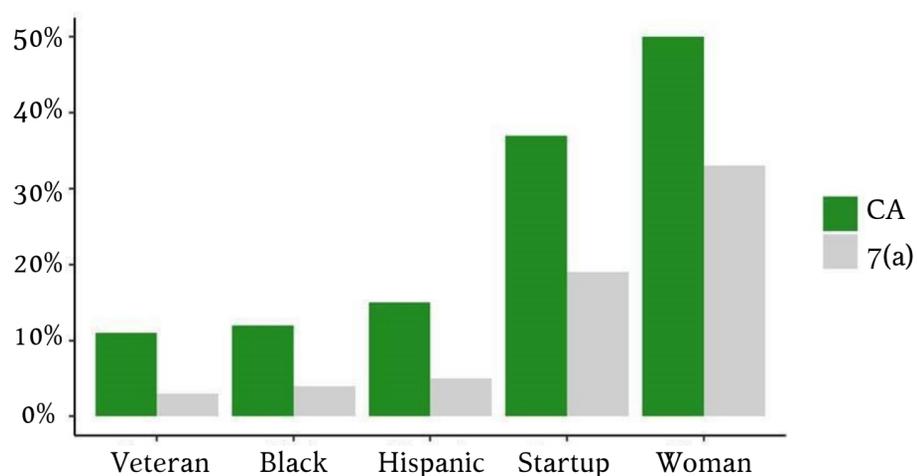


CA lenders must deliver at least 60% of their CA loans to businesses in “underserved markets,” currently defined as: Empowerment Zones and Enterprise Communities, HUBZones, Low-to-Moderate Income communities (LMI), Opportunity Zones, rural areas, startups, and veteran-owned businesses. As mission-oriented organizations, CA lenders consistently exceed the 60% requirement.

While the list of qualified underserved markets does not currently include minority- and women-owned small businesses, CA lending far outpaces traditional 7(a) lending to women and minorities. The following graph (left) shows that **CA lenders approved more loans to women-owned businesses and over 3x as many loans to Black- and Hispanic-businesses as 7(a) lenders in FY 2020.**

CA lenders fill an unmet need for loans in amounts between \$50,000 and \$250,000. Research shows that banks approve very few business loans under \$250,000 because they bear the same transaction costs as larger, more profitable loans of \$1 million or more. Through the CA program, SBA fills this crucial financing gap by providing a guaranty of 85% for CA loans of \$150,000 or less, and 75% for CA loans between \$150,000-\$250,000.

Technical Assistance (TA) is a critical part of the CA program and a core tenet for all mission lenders. Lenders provide TA by working with borrowers to create or modify their business plans and navigate the SBA application process. In providing TA, every mission lender has a direct, intentional hand in helping their local community grow. SBA encourages lenders to deliver TA with CA loans whenever needed, but does not provide funding for TA services.



Note: The "Woman" category includes firms that are woman-owned < 50% AND firms that are woman-owned > 50%.

1 Mills, Karen Gordon and McCarthy, Brayden, Harvard Business School, "The State of Small Business Lending: Credit Access during the Recovery and How Technology May Change the Game," July 2014. https://www.hbs.edu/faculty/Publication%20Files/15-004_09b1bf8b-eb2a-4e63-9c4e-0374f770856f.pdf
Note: As of 2016, only 9% of all bank lending to small businesses consisted of loans that were less than \$250,000. Office of Small Advocacy, U.S. Small Business Administration, "Small Business Lending in the United States, 2016." September 2018. <https://www.sba.gov/sites/default/files/Small-Business-Lending-in-US-2016-Report.pdf>



Mission Lenders Working Group

CLOSING THE CREDIT GAP SINCE 2011

The CA program has operated as a “pilot program” for the last ten years and it has proven success and sustainability in reducing credit disparities. Since 2011, the CA program has received several short-term extensions and is currently set to expire at the end of FY 2022. Uncertainty about the program's long-term outlook leaves lenders without assurance of their future capacity to serve the most overlooked small businesses. In the 116th Congress, the U.S. House of Representatives passed a bipartisan bill to extend the CA program through FY 2025.

The Mission Lenders Working Group (MLWG) urges the 117th Congress to support full CA program authorization so that CA lenders can continue to finance, support, and sustain underserved small businesses. The work of CA lenders is more important than ever, given that the pandemic only served to exacerbate existing inequalities in capital access. As COVID-19 has further limited the availability of affordable bank loans, under-banked entrepreneurs now have even fewer means of accessing the financing they need to modify their business models, endure periods of reduced revenue, or open new businesses.

SUCCESS STORIES



BROOKLYN TEA | BROOKLYN, NY

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!”



ROSIE'S FLOWER SHOP | FRESNO, CA

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.